THE MAGAZINE OF WALL STREET

An Investment and Financial Digest

Vol. Fifteen | MARCH 6, 1915 | No. Seven

Astonishing Record of Chain-Store and Mail Order Stocks

By RICHARD D. WYCKOFF

THE proof of the pudding of prophecy is found in the after events. In our issues of March and April, 1914, we called attention to the advantages of the chain-store and mail order enterprises, by way of answering the question, "Which Kind of Stock Is Best?"

Things have happened since last April—big things which upset previous calculations. And so it is interesting to know just what effect the big upset has had on these two classes of stocks then selected as the most desirable on the list.

The accompanying chart tells the story better than we can put it into words. At the beginning of the chart the top line represents the average price of twenty-five industrial stocks used by the New York Times. The lower line represents the average price of Woolworth, United Cigar Stores and Sears, Roebuck, these three being typical chain-store and mail order stocks. We could have included Kresge, but the sales of that issue were so infrequent as to make it undesirable for averaging purposes.

It will be seen that while the average price of twenty-five industrials was originally well above the average of the three stocks, and while the decline at the end of July was more or less uniform, Sears, Woolworth, etc., have gradually outstripped the industrial averages until the former now stand on top.

The oblique lines give one a better idea, perhaps, but even at that the average price of S. W., etc., is some 4⅜ points below what it would be if Kresge were to be added, because Kresge has gained 17⅜ points since the end of July, and this would bring the average of the four stocks, if they were so compiled, up about 3½ points above the level shown at the *termination* of the chart.

Now this article is not written to show how wise we were, but to prove that merit in a stock is what counts in the long run. By merit, we mean, in this case, earning power. Earning power makes prices, subject to the influence of other stocks and the market in general.

Let us see what has happened in these four companies to cause a relatively larger advance than in the other industrials, and an actual gain over last July's prices:

Woolworth reports sales of $69,616,775 for 1914, the panic year, against $66,228,072 for the previous year. This is a gain of over $3,300,000. Six per cent. dividends have been maintained on the common stock. Earnings are over 10% on this issue.

United Cigar Stores did the biggest business in its history during the 1914 year, earnings running about double dividend requirements. Counting melons, it pays better than any railroad, copper or steel stock on the list.

Kresge increased its common dividends to a 6% basis and earned over 20% compared with 14% for the previous year.

Sears, Roebuck earned $96,000,000 in 1914, compared with $92,000,000 in 1913, and as forecasted in our April, 1914, number has cut a 50% stock melon.

Compare the above with the record made by your railroads, your copper stocks and your steel stocks during the late year of misfortune, and you will readily see the difference.

The question now is: Will this ability to earn increasing amounts in bad times continue during good times? It will, because the principle on which these great enterprises are built calls for more new stores, new departments and increased purchasing power without the burden of an additional dollar of indebtedness.

The Pennsylvania Railroad Co. was incorporated 1846, which means that it is nearly 70 years old. Its gross earnings in the last good year were $185,000,000. The present corporation of Sears, Roebuck & Co. is nine years old and does a business of $96,000,000. Pennsylvania is having a struggle to keep up its 6% dividends, while in the same year Sears, Roebuck earns over 20%, after having increased its stock 33½% in 1911.

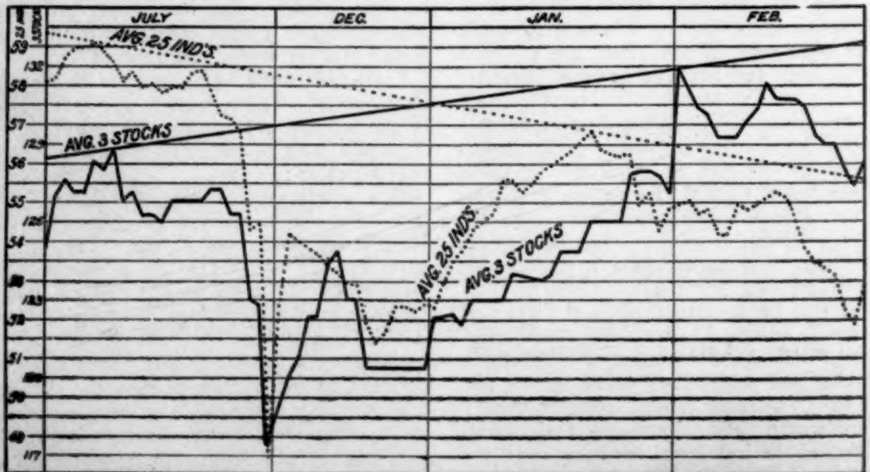
One difference between Sears, Roebuck and Pennsylvania is found in the latter's $250,000,000 of bonded debt and $500,000,000 of stock—a capitalization of $750,000,000. Compared to this Sears, Roebuck, with both the melons cut, will have only $60,000,000 of common and $8,000,000 of preferred, after having bought and cancelled $2,000,000 of the latter.

The question may be asked: Have the earnings of Sears, Roebuck reached their limit? Not by any means, and if you doubt this, spend a penny for a postal card and get Sears, Roebuck's catalogue, particularly that which refers to ready-made houses, for which you can remit in advance and receive your house in sections by early freight. This is only one branch of the business. I have friends in a suburb of New York City who buy their staple groceries of this company, pay the freight from Chicago and save $8 or $10 a month at that. From this you can see that Sears, Roebuck & Co. are in competition with and are in a position to take business away from every grocer in the United States.

And these Sears, Roebuck melons are not cash, but stock distributions. Every dollar of cash goes back into the business again!

In 1911 Sears sold at 123¾ ex-melon. It has since touched 221½ (1912). I expect it will repeat this performance after the present melon comes off.

In the Chain-Store stocks is found that same self-propagating feature that partakes of the nature of the guinea pig in



finance. These companies are going on with their scheme of opening new stores out of profits, and without increasing fixed charges or preferred dividends.

My study of these stocks in comparison with all the others on the list has so impressed me with the advantage of the chain-store, cash-in-advance, self-multiplying idea that I now measure every other sort of an enterprise by this standard. Is there any good reason why I should not?

Many people believe that because their fathers and grandfathers bought railroad stocks, they should follow the same path. But any man who follows antique methods in Wall Street of today, is going to get sadly left. The old is making way for the new and the sooner we get up to date in our ideas on these stocks the better it will be for us.

Why should we buy a railroad stock that pikes along with an earning power of barely 6% in bad times and 8 or 9% in good times, when there are plenty of self-constructive enterprises earning 15 or 20%. To me it seems foolish to put your money to work where it will be earning only a pittance.

Old-fashioned ideas have no place in the minds of men who, like Harriman, want something that will grow.

Hints for Investors

DON'T buy convertible bonds where the exchange can only be made at a very high price for the stock, if you want a real chance of exchanging at a profit. A high conversion price usually means a high rate of dividend and this generally means some uncertainty of continuance. Several cases lately where such high dividends were reduced. Consequently it is better to handle only such bonds as are convertible at or close to par.

NOW is the time to look through the bond list for bargains. There are junior bonds, even debentures, of strong companies much better than the senior bonds of others. These are the things to buy for real scientific investment, if appreciation in price is your object.

THE nominal or apparent margin of safety for securities of a company, as shown in the amount of net earnings left over after paying interest and other charges, is not an absolute criterion of the position of those securities. It might be much lower in one company than in another and yet the securities far better. It makes a great difference how much the companies spend on keeping up their properties. And this has to be done before interest is paid.

YOU can get now an average income of close to 5½ per cent. on a wide range of securities where the percentage of safety is very high. General market conditions have made that possible. Don't wait until the market has moved upward farther so your income will be reduced, but consult your banker if you would buy wisely.

REMEMBER that underlying conditions in the money market and business generally affect the prices of many securities more than their safety. So when such conditions are not of the best, prices are generally attractively low. These are especially the times to buy.

American Business and the Great War

Features of War Bear Movements. Why They End Early. No Real Scarcity of Capital.

By PAUL CLAY

[NOTE.—The series of articles of which this is the second portrays in a striking manner the historical operation of economic forces set in motion by the war and makes direct application of these principles to present conditions.—EDITOR.]

Article II.

PROBABLY every great war in the history of civilization, ancient or modern, was ushered in with a bear movement in stocks. Opinion is now divided between those who believe that any rise in American security prices must necessarily be temporary, and those who think that the worst is over and that the broad swing of prices will hereafter be upward. The bears have at least a considerable number of plausible arguments on their side. They can point out the immense destruction of life and property, the waste of capital in gunpowder and conflagration, and the impoverishment of the less fortunate classes of people. They can also remind us that there has been at least one bear market during every considerable war, and that throughout the Crimean War the trend of the New York and Boston markets was steadily downward.

All these arguments, however, will scarcely stand close examination. One must examine the causes of these war bear movements in order to get any intelligent understanding of the subject at all. Now the significant point is—a point generally unnoticed—that it is not merely war which causes the early downward movement of stock prices. That is to say, values are unaffected by bloodshed and human suffering, and even by the hunger of the unemployed. These things are abhorrent enough to our feelings, but they have nothing to do with hard matter-of-fact values. What causes the bear movements is not the slaughter itself, but rather the derangement of commerce and the tight money which the hostilities bring to pass.

In order to get the distinction one has but to ask himself whether as an owner, for example, of Pennsylvania Railroad stock he would feel like selling any cheaper merely because some dear friend had been cruelly torn to pieces by a bursting shell. Assuredly he would not; but if, instead of Pennsylvania, he owned stock in the London and Northwestern, whose earnings are bound to be reduced by the war—then he might be willing to sell a great deal cheaper. It is earning power, and not bloodshed that determines values.

War in itself is then no cause for a bear movement. Indeed it has no relation whatever to the security markets except in so far as it affects either the earning power of securities or else the public demand for securities. As previously pointed out, the general derangement of commerce and finance reaches its most acute stage early in the conflict. There is an instantaneous interruption of the movements of commodities between different nations; but immediately the process of readjustment begins. If England is deprived of her cotton supply from the United States, as she was in the Civil War, she at once begins to develop Egyptian or other markets. If the United States is deprived of its cotton market her planters set out immediately to reduce the production of cotton and carry over the excess supplies; and if Germany is cut off from her usual purchases of copper and gasoline she loses no time in devising means to obtain them by unusual routes.

A complete readjustment cannot occur in a moment. It takes time to find out just what the situation of any industry is, what the exact troubles are, and how to meet the difficulties. First, the captains of industry and finance have to do their thinking and planning, and then they must confer and agree upon practical methods of relief. So it is that since the time of the railway and the telegraph, it takes business several months to readjust itself to war conditions; and so it was that the corresponding readjustment a

century ago took several years. But one thing that must not be forgotten is that when the readjustment has been made, the cause and reason for a bear movement from that very moment absolutely disappears. Any continuance of such a movement thereby becomes totally unreasonable.

We have before us then the precise reasons why these war bear markets almost invariably terminate during the very early part of the conflict. The liquidation in securities is brought to a halt primarily because the derangement of trade and the losses to corporations have reached their maximum. Security prices have likewise gone down enough to anticipate or discount the maximum losses to be sustained. Secondly, the very excess of liquidation which accompanies the fright and the money panic in the early part of the war overreaches itself. That is, a great many investors sell purely from nervous shock, and depress the market so much the more. Then, when the investing public comes to its senses prices are so low that no sane man wants to sell. To take a loss of 20, 30 or even 50 per cent. on a good stock or bond is a thing which men do not do except under the influence of panic or to save themselves from bankruptcy.

By the time the feeling of panic has blown over, and a real market for securities is restored, general business begins to show signs of improvement, and many who have previously decided to sell as soon as possible reverse their decisions in the belief that higher prices are to be expected. While they are waiting for the higher prices the war orders begin to come in, commodity prices begin to rise and profits begin to expand. During the Napoleonic wars prices quickly went up an average of 25 per cent.; and during the Civil War the rise in goods prices and business activity began in 1862. These are the factors which end the liquidation.

WAR AND CAPITAL.

Some will argue, however, that notwithstanding all these considerations the huge war loans and destruction of capital will in themselves continue to force prices downward. But experience teaches the contrary. First, war instantly cuts off the normal demand for new capital with which to increase the capacity of producing and trading companies; and second, it also immediately enforces an enormous saving in the living expenditures of the average family.

These points can be very clearly seen from our own experience during the Civil War. At that time, judging from census reports and other investigations, the yearly savings of the people of the United States averaged—in normal times before the war—about $20 per capita. The savings here referred to include only those available for permanent investment. For the Northern states these amounted to about $420,000,000 per annum; and this sum, which would ordinarily have been absorbed in the growth of mercantile industries, at once became available for investment in government bonds issued to finance the war. At such times industries do not expand, cannot afford to pay interest on new capital, and therefore do not raise new capital except upon a very small scale.

In addition to this diversion of savings from permanent investment in industries to investment in war loans, there is the deep cut in living expenditures. In the early portions of the Napoleonic, the Civil and the present wars, unemployment probably did not average less than 15 per cent. of the total working forces of the nations principally concerned. The whole nation has then to live on the income of the other 85 per cent.; and here is an immediate cut in the national living expense of 15 per cent. or thereabouts. Besides this, the workers who remain employed, and the employers who continue in business, find it advisable to make drastic cuts in their expenses—so that it is probably not too much to say that in the early part of such a conflict there is a general cut of about 25 per cent. in the average expense of living.

Such a reduction in expenses during the early part of the Civil War mounted up to about $418,540,000 for the people of the North alone. This saving in living expenses, plus the above $420,000,000 diverted from industrial investments to war loans, makes a total of $838,540,000—which is a reasonable estimate of the total yearly amount available without any foreign borrowing for the prosecution of the Civil War by the Northern states. Meanwhile the actual average expense of the war was only about $789,-

650,000. Hence, instead of a scarcity of capital there was a small surplus.

Upon these figures, which of course are approximate, the yearly surplus of capital available for absorption in industry was only about $50,000,000; but in fact it was probably much greater. The best measure of the supply of investment capital is the movement of interest rates; and average interest rates in New York steadily declined from 6⅞ per cent. in 1860 to 6⅛ in 1862 and 5 per cent. in 1863. These were low rates for that time, as during the fifties money had frequently averaged more than 8 per cent.

Furthermore, the amount of money needed during the Civil conflict for industrial expansion was very small. In the entire four years the new capital put into railroads was probably not over $200,000,000; and at that period railroad securities constituted between 60 and 80 per cent. of all the private securities issued. The total yearly absorption of new capital in corporate business apparently did not exceed $100,000,000.

From this analysis it is plain enough that there was no real scarcity of capital during the Civil War, and no reason for any scarcity. In the Napoleonic conflict, disastrous as it was, exactly the same situation existed. The most conspicuous type of corporation was then the country bank, and the number of country banks in England and Wales increased from 280 in 1797 to 702 in 1809, and 940 in 1814. There was a similar increase in Scotland. During our Civil War the working people of Great Britain suffered very severely from the suspension of cotton mills, and the interruption of British commerce. Nevertheless, there was again no scarcity of capital. Corporations or joint stock companies multiplied with astonishing rapidity. In 1862 the whole number registered in the United Kingdom was 165, but in 1863 it was 790, and in 1865 1,034.

Scarcity of capital during great wars is, then, a myth.

There was no such scarcity in either the Napoleonic wars or the Civil War; and at this very moment there are evidences on every hand that investment capital is accumulating. The abundance of capital was demonstrated by the fall of interest rates in London from 6½ per cent. in 1797 to 4½ or 4¾ from 1806 to 1810; by the fall of rates in the United States throughout the years 1861 to 1863 inclusive; by the decline of the Bank of England discount rate from an average of 5¼ per cent. in 1861 to 2½ in 1862; and by a similar fall in the open market rate from 5¾ per cent. in 1854, during the early part of the Crimean War, to 3 per cent. in the summer of 1855.

BEAR MOVEMENTS END EARLY.

Bear movements come to an end in the early part of these conflicts.

This is simply because there is no reason why they should continue. The bear movement of the Napoleonic wars ended in June, 1797, although the conflict lasted until June, 1815; and the bear movement of our Civil War ended in April, 1861, whereas the surrender of Lee at Appomattox court house did not take place until April 9, 1865. The Crimean War lasted from March 28, 1854, to March 30, 1856, and yet British consols touched their lowest point in March, 1854.

The only important instance on record of a bear market which continued through any large part of a great war was the bear movement in New York and Boston which lasted throughout the Crimean War in Europe. That, however, had absolutely nothing to do with the war, as is easily demonstrated. Business in the United States had become inflated to the bursting point. So great was this inflation that interest rates in 1853 averaged 10.21 per cent., as compared with 6.42 the previous year, even though the war had not yet begun. In 1854 interest rates averaged 10⅜ per cent. in New York, as compared with 5 in London, and 4⅜ in Paris. *Yet France and England were at war and we were at peace.* Security prices correspondingly rose in Europe while they were falling in America. If the war had been the cause of the fall here, how much more must it have caused a fall in Europe.

In view of the fact that the bear movement a century ago ended when the wars were just about one-fifth over, there seems to be no room for doubt but that the war decline in our securities has already ended. It is open to doubt whether the conditions in London were the worse in 1797 or in 1914, but it is

surely true that the financial situation of Paris was much the worse a century ago. Furthermore, it is absolutely certain that conditions in the United States are infinitely better and more favorable to a rising market than was the situation in London in 1797. Yet at that time the rule that bear markets end in the earlier part of the conflict held true.

The English people were then suffering war losses in trade and wages, plus war expenses, which in the aggregate took away between 25 and 40 per cent. of the income of the typical individual. Quite in contrast with that dark situation, with its bank failures, its suspension of specie payments, and its starvation among the poorer classes, the war depression of business in America at the present time has certainly not reduced the income of the people of the United States by more than 10 per cent. A more likely estimate is that our national income is between 7 and 8 per cent. below normal. Neither is our present situation anywhere nearly so trying as it was in 1861 when, in face of a shrinkage of 15 to 30 per cent. in national income, the bear movement ended the very month that actual hostilities began.

There is every indication that the war bear movement ended in 1914. The allies may meet occasional defeats, but security markets do not depend upon battles. Even Jena, Austerlitz, Fredericksburg, and Cold Harbor caused only temporary reactions. Neither is there any present scarcity of capital. The normal savings of the civilized world, which aggregate in the neighborhood of $7,250,000,000 per annum, can, because of the absence of industrial expansion, be largely invested in war loans. In addition to this, the world has probably reduced its expense of living by a like sum—so that the available war capital is apparently between 14 and 15 billion dollars per annum. The yearly cost of conflict, on the other hand, is unlikely to exceed twelve billion dollars, thus leaving a surplus of two billions or more.

Those who are speculating for a broad decline due to this war are banking on something which is improbable by every principle of economics, and by every war experience from Romulus to George V.

In the next article of this series by Mr. Paul Clay, the exact way in which a great war stimulates business, builds up net profits and prepares the basis for a broad bull market will be analyzed in detail. *See next issue of the* MAGAZINE OF WALL STREET.

Don't Be In a Hurry

"DON'T be in a hurry" is the first law of safe investment. When you find a little surplus of ready cash on your hands, stop and think. That money was probably not made in a hurry—on the contrary the chances are that it was accumulated as the result of many hours of work and perhaps years of patient waiting.

The stock market we have always with us; it is far more important that you understand fully both the risk and the opportunity offered by any particular security than that you get your money into it. What you know Before you buy is worth something; what you learn After you have signed the check may be equivalent to an assessment notice but no more.

The primary difference between an investment in Union Pacific and betting that Jack Johnson will win at Juarez is that by a little application you can get at the probable future trend of Union Pacific's earnings and market price; but, while you may estimate that chunky black will-o-the-wisp's earnings, you can't guess what his price would be if he ever reached Juarez. So make certain that your investment is not located in a war zone. You'll be surprised how apt you are to change your mind about the average stock if you put the money in a bank for two weeks and watch what that stock accomplishes. If it does act properly, the little addition to the price you pay is a well laid out insurance of long run profits.

MONEY, BANKING AND BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Effect of New German War Zone.

WITH German submarines busily blowing British trading vessels out of the water at the rate of two or three a day, and many neutral ships either striking mines or being mistaken for French or English boats and so torpedoed, the war has taken on a new phase which is affecting both investment and business conditions in America.

This is not so much due to any real fears that the United States may be drawn into the conflict as to apprehension about the effect of these dangers to commerce on our rapidly growing exports to the warring nations. The trade balance has been piling up in our favor and has been reflected by abnormally low rates for foreign exchange and moderate imports of gold. But the further development of this tendency depends on the freedom of the seas to neutral vessels. In fact, it depends on the safety of ships which fly the British flag, since so large a part of the ocean carrying trade is done by English-owned vessels.

Insurance rates on vessels and cargoes have already risen as a result of the new German policy. So far, however, the loss to the Government War Risk Insurance Bureau has been only $659,000, while premiums received have been over $1,500,000. Secretary McAdoo says:

> The total amount of insurance so far written by the Bureau of War Risk Insurance is $56,645,084, and the sinking of these two steamships represents the first loss suffered since the Bureau was organized, on September 2 last.

* * *

Jacob H. Schiff on Duration of the War.

PERHAPS Mr. Schiff, of German birth, may be slightly prejudiced, but his views on other subjects have so often been proved sound that what he has to say about the duration of the war has attracted much attention among thoughtful men:

> I do not think we need look for peace until the coming autumn. My reason for this is that England, who is just now moving her army into the field, will want to try conclusions against Germany. Until this is done there will be no disposition to consider terms of settlement. If the Allies win in forcing Germany back to where her interests dictate the wisdom of suspending the struggle, then Germany may be disposed to seek peace. I do not believe that the Allies can crush Germany, and I doubt their ability to dislodge her from the position she now holds. If Germany succeeds in holding her own, as I think she can, then the conflict will stand as a draw. That situation will create an opportunity for the neutral nations to demand that the contest come to an end, because of the injury which it brings to the neutral nations. The neutral nations will not be willing to go into another winter with such indefinite results.

* * *

Changing Character of Foreign Trade.

FOR January our excess of exports over imports was $145,000,000, but the distribution of our export business is now very different from our ante-war trade. Detailed figures for December are now available and they give an interesting history of present trade tendencies:

> Of horses and mules exported for the month the value was $8,500,000, compared with $374,000 last year. The value of corn was seven times larger, that of oats $2,895,906, against $18,420, and wheat $36,236,471, compared with $5,342,064. Commercial automobiles were valued at $3,387,729, against $100,660; knit goods at $2,198,156, against $294,880; explosives $2,170,387, against $885,656; shoes $750,326, against $53,840; sole leather $3,608,928, against $353,512, and upper leather $3,120,030, against $1,730,308; harness and saddles $1,521,874, against $42,187; canned beef $655,694, against $41,303; refined sugar $2,755,266, against $155,942; woolen wearing apparel $1,299,103, against $183,225, and all other man-

SAFETY FIRST.
—*N. Y. World.*

ufactured woolen goods $2,749,278, against $103,423.

There are, however, a great many articles normally in large demand abroad for which the present market is very poor. In December exports of agricultural implements were $342,559, compared with $4,014,568. Furs were valued at $94,795, as against $2,210,183. Only 131 adding machines were exported and 856 cash registers, as against 718 and 4,220, respectively, in the same month last year. The value of sewing machines shipped was $370,555, compared with $1,202,630, while stoves, lawn mowers, power machines and milling machinery fell off materially, the value of all machinery being $6,372,041, compared with $10,300,000 last year. Lumber, naval stores, pig iron and cotton show the heaviest losses of the commodities.

* * *

Sherman Law Checks Export Business.

IT certainly was not the intention of the framers of our anti-trust laws to interfere with our foreign trade. For that matter, the Sherman Law has done a good many things that it wasn't expected to. W. S. Kies, of the National City Bank, brought out this point clearly in an address to the Traffic Club:

It would seem that the hour of commercial opportunity has struck for this country, and our relative position in the commercial world can be infinitely improved if the opportunity is seized. But we must first lay a careful foundation, and taking a leaf from Germany's book, begin to plan with scientific thoroughness our commercial future. If we do so, we shall look back to 1914 as the year in which the foundations of the commercial supremacy of the United States were firmly laid.

It is unquestionably desirable that American manufacturers should be permitted to join in exhibiting their products in foreign markets, in conducting co-operative sales plans to stimulate demand and in the pooling of expenses and division of profits; yet the Sherman act, even as supplemented by newly enacted trust legislation, makes such a course illegal and participants liable to prosecution.

It ought to be permissible for a dozen competing manufacturers to agree upon a price for their product in a foreign market. But if cutthroat competition makes the beginnings in foreign business unprofitable many will leave it in disgust, to the entire satisfaction of our foreign competitors.

* * *

Trade Conditions East and West.

THERE has been a good deal of "sunshine" talk about business conditions since the war began. Among business men, as elsewhere, the wish is father to the thought. Experienced observers know how to discount these over-optimistic outgivings. The following comments on trade tendencies are from sources where plain facts are valued more highly than "boosting:"

First National Bank of Boston: Two important trade currents have become noticeable in the last two or three weeks; the first is a definite movement of Oregon lumber destined for Atlantic seaboard points on bona fide orders from consumers for building enterprises; the second is the increase in the purchase of New England manufactured goods by the South. Apparently the increase in the price of cotton from 6¼ to over 8½ cents, coupled with the very heavy movement of cotton, is putting the cotton sections of the country in a position to resume purchasing on a limited scale. It has been expected that our enormous crops, with cereals at very high prices, together with easy money conditions, would bring about, sooner or later, increased business activity. That these conditions have been ineffective thus far, except to the degree outlined above, indicates clearly the extreme depression of business. Not the least of the contributing causes to this inertia is the wave of economy which has swept the country, affecting not only those whose purchasing power has been curtailed, but also those whose reasons for economy are purely sentimental. The expectation in New England is for a slow, gradual increase in trade.

Ralph Van Vechten, Vice-President Continental and Commercial National Bank,

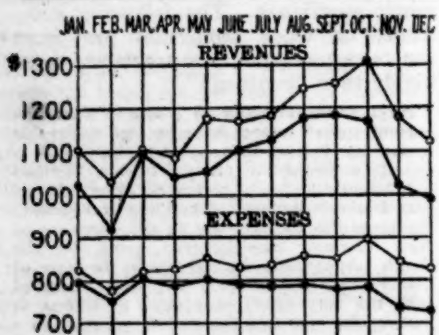
Chicago: Money continues to flow in freely from the country, and Iowa banks, which in the past were not able to meet their obligations very readily, are not only in excellent position in that regard, but are now buying considerable commercial paper. The big Chicago banks are hesitating about loading up with paper, for the reason that the future is uncertain, and we do not know how soon we will be called upon for heavy sums of money or how soon our deposits may be pulled down. We therefore face a situation where, with plenty of money, we are still forced to guard against overextension and must keep our assets very liquid.

E. D. Hulbert, Vice-President Merchants' Loan and Trust Company, Chicago: It looks as though the improvement in business had actually begun. Hitherto the betterment has been largely with some of the bigger manufacturing concerns, but the demands for loans from the average business man would seem to indicate that at last the improvement has reached down through most classes of industry.

* * *

Some Railroad Men Are Still Discouraged.

NOT even the recent rate increases have enabled some of our down-hearted railroad men to throw off the cloud of gloom in which they have become enveloped. They look back to the happy days when a freight agent could make any sort of rates he chose at his own sweet will; then they think of the multitude of State and National Commissions now, the wilderness of new laws, to say nothing of the labor unions, and they feel as though they were bound hand and foot:



MONTHLY REVENUES AND EXPENSES PER MILE FOR ALL RAILROADS IN THE U. S. HAVING OPERATING EXPENSES ABOVE $1,000,000.

President Truesdale, of the Delaware, Lackawanna & Western Railroad: Uncertainty is not altogether owing to conditions in Europe. It is due, in no small degree, to the business and industrial interests of the country being more or less distrustful and fearful of the effects of recently enacted legislation of an inquisitional and regulative character to govern corporations generally, which is new and untried in this country excepting as it has been applied to the railways. The effect of the extreme length to which this latter has gone is not altogether reassuring to these other interests which now seem to be facing similar control of their activities.

William Sproule, of the Southern Pacific: The country is in the midst of a period of unemployment and distress, the like of which the nation never saw before. The trumpeter of prosperity beguiles only his own ears. Prosperity is real, or it does not exist. We do not have to look for it; it comes to us. It will not come to us until the people generally, whether their capacity be large or small, whether they work with their muscles or with their minds, discover that their condition improves only as their employer is prosperous.

To secure prosperity I urge the imperative necessity of taking business out of the atmosphere of attack into the old-fashioned go-ahead atmosphere of business initiative and American enterprise. I urge relief from the fads, fancies and isms which have filled the streets with unemployment and put away the dinner pail of the workingman empty on the shelf of the impoverished home. I urge the restoration of confidence in the fact that American business men are the peers of any in the world. Finally, I urge that the public interest in transportation is that it shall be prosperous in order that it may be a successful and energetic aid to all the business it is designed to serve.

* * *

Federal Banks Now Buying Acceptances.

AN important step in the development of the new banking system has been taken in the approval by the Board of rates of 2 to 4 per cent. for dealing in acceptances. This means that commercial paper bearing the indorsement of a member bank can be discounted at one

or two per cent lower rate than the ordinary single-name paper. The result will certainly be a great increase in the use of the acceptance form, as business men will be anxious to get the benefit of the lower rate of interest. This is a step toward the European system of double-name paper.

Not all bankers, by any means, are satisfied with the Federal Reserve Law as it now stands. C. G. Dawes, the Chicago banker, puts it this way:

The Federal Reserve Bank Bill, as it stands today, injects the banking business into politics.

Until it shall be radically amended I regard the bill as one of the greatest menaces which ever confronted the country. Unless it is amended I believe it will bring down the commercial interests of the country in chaos and financial ruin.

I have the greatest confidence in Secretary McAdoo, but the bill puts into his hands—into the hands of the secretary of the treasury, a political appointee—a greater power than should be given to any man.

At his will he can deposit any or all of the funds of the United States Government in the Federal Reserve Banks. At his will he can withdraw any or all of these funds.

It is in his power to deposit in the Federal Reserve Banks more money than all the National Banks in the country have deposited in the Federal Reserve Banks. It is equally in his power to withdraw all this money.

The most important and the least discussed provision of the bill is that which permits the Federal Reserve Banks to compete for loans in the open market with the National Banks.

Political clamor and the pressure of public opinion will force them to so compete. Then when the credits of the country have been greatly expanded will come the danger.

We have no need of additional circulation in this country in normal times; it has only been in crop moving periods and times of financial crisis that our present volume of currency has proved insufficient. We have been suffering from the inelasticity, not the dearth, of currency. In the meantime the public must be educated to the dangers of the law in its present form and efforts made in Congress for its correction. It is the most important question today before the American people.

* * *

The Stock Market Lifeless.

STOCKS appear to be waiting the result of the new phase of the war. Selling is light, but buying lighter still. Investors are not allowing themselves to be stampeded, but they prefer to wait the turn of events. The comments of two leading investment houses are as follows:

"STOP!"
—*St. Louis Globe-Democrat.*

Most observers of the stock market, while not overly enthusiastic, are hopeful. So far as this country is concerned the main shock of the war passed shortly after it commenced. We are now principally interested in the effect that the war will have on our business. In case our foreign trade is not seriously interfered with, the effect should be beneficial for a considerable time to come.

The technical position of the stock market is improved, owing to an increase of short commitments. The buying of stocks on recessions is of good character, and those who make purchases feel they are securing bargains. It is noticeable that whenever good stocks are offered in quantity, little difficulty is experienced in finding buyers at moderate concessions. In many cases the stocks purchased are paid for in cash and taken out of the market.

American securities are today the last with which foreign owners wish to part. Great as is the drain abroad, there is still a certain amount of capital for investment and to this our securities must make much the strongest appeal. The most cheering feature is the continued excellent demand for bonds. Very large issues are still readily absorbed. The financing of maturing loans is becoming less and less of a spectre and the inducement to embark on new enterprises greater and greater.

* * *

Cotton Maintains Its Advance Well.

WE haven't heard anything about closing up the wicked Cotton Exchange for some little time now. The price of cotton has advanced about two cents a pound since the exchange reopened. If it had declined two cents,

"CURFEW SHALL NOT RING TONIGHT."
The G. O. P. and the Ship Purchase Bill.
—*Detroit Times.*

what a howl would have gone up! But the decline came while the exchange was closed. Economic forces have made the price, of course—and yet it is quite likely that the fact that the exchange gave all the world an open market in which to buy has been of material assistance to the Southern planter. Whether the Southern planter can be got to admit this is another question. Theo. H. Price says:

It is certainly remarkable that, despite the inertia of speculation and the interruption to the export movement that seems likely to follow the fear of the German submarines and the sinking of the *Evelyn,* the market has yielded so little. Another discouraging influence has been the difficulty with which the application of the Lever law is being co-ordinated with the imperative requirements of the trade. As the maximum effect of this combination of bearish influences has only been a decline of about thirty points in futures and rather less in spot cotton we are forced to conclude that there must be some unseen and unknown reason for the stability in values that will make itself felt whenever the visible factors of depression shall have lost what has thus far been a negative rather than a positive influence.

As far as we can discover by careful inquiry the buying orders that absorb the sales of futures made from day to day originate in Russia, Austria and Holland and they may express the confident hope of an earlier peace than is generally expected in England or America.

At all events after a close study of the action of the market during the past week we have come to the conclusion that it is likely to respond with great promptness to any development that has a bullish significance and that the risks of buying are far less than those of selling.

* * *

War, Not Speculation, Put Price of Wheat Up.

THE Attorney-General has been trying to fix the blame for the high price of wheat on Chicago Board of Trade speculators. We must charitably assume that there is politics in it, for we would not want to accuse the Attorney-General of not knowing any better, in face of the record-breaking economic events since the last harvest. C. H. Canby, president of the Chicago Board of Trade, put the facts as follows in his testimony:

No man or combination of men, no power on earth except that of governmental prohibition of exports, which would have resulted in a general financial panic and left the West with its wheat in the same position as the South with its cotton crop, could have prevented the present range of values.

Present prices are not unreasonable. The embargo on all shipments from Russia, the stoppage of exports from the countries of the Danube, the failure of the Australian crop and the comparatively small yield in Canada have all been contributive factors.

In no year before has there been witnessed such a concentration of competitive buying in the markets of the United States by the countries of southern, western and northern Europe. Practically the only limit to this de-

"DON'T GET TOO GAY, SON!"
—*N. Y. World.*

mand has been the amount of ocean freight room obtainable.

The Western farmer is beginning to ask what all these investigations mean.

The question the farmer wants answered is this: Do the people of the great cities expect him to pay good prices, which include good wages, to those employed in manufacture and trade, for all the articles he is compelled to buy, and at the same time deny to him the right to take advantage of the economic conditions which place his crops on a profitable basis?

Has the public overlooked, or is it unaware of, the fact that all through the years 1911, 1912 and 1913 and the first half of 1914 flour was cheap, and that on the basis of prices prevailing through this period the producers made little, if any, profit on wheat?

* * *

Our Financial Position Strong.

IT is something new in history for the United States really to be a creditor nation, but the war has accomplished this. Says the New York National City Bank:

The secure position in which we seem to be established as a creditor nation on current account is the most important factor in the home situation. As already indicated we have reached the situation where instead of being concerned lest our securities may be returned too fast we are beginning to be concerned because they do not come fast enough to keep the exchanges in normal condition. The short foreign loans that are being made here are the same as gold in the reserves as protection against any foreign liquidation of our securities that may develop as the war progresses. The credits of this class that have been given in no sense represent capital withheld from home use, for if they were not taken it would be necessary that reserves in this country should be correspondingly stronger. They are an outer line of defense which must be passed before a foreign demand can reach our store of gold, and considering the surplus reserves of the national banks and the reserves and note-issuing power of the Federal Reserve banks, the situation is now so strong that an enforced contraction of credit seems to be beyond the possibilities. This assurance in itself is a great boon to the business community.

* * *

A Warning Against Municipal Extravagance.

MANY investors have been accustomed to feel that they could almost shut their eyes and buy municipal bonds, so high has been the standing of this form of security. The tremendous increase in municipal borrowing, however, is changing the situation. The Chicago National City Bank sounds this warning note:

Investors ought to inquire carefully into the financial position of the municipalities whose securities they are asked to buy. For years past there has been an increasing tendency towards extravagance in municipal government and municipal financing. Immense sums have been borrowed by cities and towns to pay for non-productive improvements, which add something to local pride but nothing whatever to the earning capacity of the borrower. In these days of economy investors ought to demand that the proceeds of bond issues put out by municipalities should be expended for purposes which will increase the security of their investment. The craze for municipal bonds which has become such a factor in the year that the income tax has been upon the statute books, has made it possible for almost any municipality of decent size to borrow money at reasonable terms. While almost all of the money thus borrowed has been well expended, a small portion of it has been put into stadia and similar projects which ought scarcely to be supported by a struggling community. There are so many excellent bonds to buy that all such considerations ought to be taken into account when considering the desirability of investment propositions. Taking a broad view of the situation, however, it may be said that investment capital is being more efficiently invested today than at any time for a decade past.

* * *

Rapid Growth of Indebtedness.

IN fact, public debts all over the world have risen in recent years with a rapidity that would be considered reckless in an individual. The *Sun* brings together the figures in a recent editorial and they are most impressive:

Between the years 1902 and 1913 the public debts of this nation, the States that comprise it and their sub-divisions, rose in the aggregate from the sum of $2,838,896,122 to the amount of $4,850,460,713, or by a matter of $2,012,000,000. In each classification there was an increase. The debt of the United States went from $969,457,241 to $1,028,564,055; the States added to their burdens $116,500,000, bringing it up to $345,942,305; the subdivisions of the States, classified as "minor divisions," incurred obligations that swelled their debts from $1,630,069,610 to $3,475,954,353.

Each enumerated inhabitant of the United States in 1902 bore the weight of public debts aggregating $35.99. By 1913 this had increased by $14, or exactly to the sum of $49.97. In 1890 the per capita net indebtedness was $31.76. The figures for the three years deserve to be set side by side:

PER CAPITA NET INDEBTEDNESS.

Year	1890.	1902.	1913.
Amount	$31.76	$35.99	$49.97

Money and Exchange

THE bank statement, formerly a subject of solicitude every Saturday, now passes almost unnoticed because of the plethora of money and the big excess of reserves resulting from the combination of dull business and the new Federal Reserve requirements. With surplus reserves of almost $137,000,000 in the New York clearinghouse, a variation of a few million one way or the other ceases to have any significance.

Money rates are almost unchanged. If there is any change it is toward still greater ease. Call money at 1¾ to 2 per cent. and commercial paper at 3½ to 4 per cent. for varying maturities simply mean a superabundance of funds and changes of a fraction of one per cent. are meaningless as affecting the investment or business situation.

Inquiries still reach us as to how banking statistics can now be recorded or charted with a view to interpreting investment conditons. It may be a matter of interest to keep track of the excess of deposits over loans as heretofore, but direct comparisons with past years are of little value because of the change in reserve requirements. The low money rates and the big excess of reserves show very plainly that so far as money is concerned the investment indications are strongly bullish.

While such a money situation as the present does not necessarily assure an immediate advance in prices of stocks and bonds, it does operate as a most powerful and resilient cushion, so to speak, to prevent declines from going far. It is the big factor in the present investment situation—far more significant than all day-to-day gossip about foreign sales and the timidity of home investors.

Foreign exchange rates are running the lowest since 1857. One important reason for the low rates has been almost unnoticed in financial discussions—viz., the drift of bank deposits to America from foreign countries, both neutral and belligerent.

Houses engaged in foreign trade have heretofore kept balances at London banks to facilitate their business. Now such balances are in many cases kept at New York instead. The prolonged moratorium throughout a large part of Europe has tended to shift the currents of trade through American channels, and wherever trade goes money must follow.

A good deal of money also comes to America for safety. The banking institutions of Europe are in many cases being upheld by main force by the governments where they are located. The possibilities of default and bankruptcy, if the war is long continued, are not to be overlooked, and caution sometimes proves stronger than patriotism where the placing of bank deposits is concerned.

Naturally, no noise whatever is made about the transfer of bank deposits to America. The utmost secrecy is observed.

Sales of bonds on the New York Stock Exchange "seller 20" have been occurring at intervals since January 27, the date when restrictions against this kind of selling were removed, and have attracted much comment as probably (though not necessarily) indicating foreign selling. *The Chronicle* has counted up all sales on sellers option from January 28 to February 26, and finds the total to be $2,233,000.

Distributed over a month, these sales amount to less than $100,000 for each session of the exchange. Moreover, it is stated by the international houses that foreign sales of stocks are relatively smaller than sales of bonds.

It is evident, therefore, that sales of securities from abroad are not heavy enough to have any important effect in counterbalancing our big exports of grain and merchandise. They will have some influence toward preventing advancing prices on our Stock Exchange—how great cannot now be estimated, because we do not know how much such sales may increase as prices rise.

So long as our exports keep up, the rate of exchange must continue low and gold will be imported in greater or smaller amounts in spite of the efforts of belligerent nations to retain it.

Bonds and Stocks

The Market Outlook

War Prospects Control the Situation—Our Export Balance

THE financial district takes a serious view of the war blockades that have been declared by Germany and by the Allies. The thought that a German submarine might at any time, even by accident, blow up an American ship is distinctly disquieting. We may reason that the Germans will take every possible precaution to avoid drawing other nations into a conflict where they are already outnumbered; that American vessels will assuredly take equally great precautions to avoid the danger, and so on —but the possibility of very serious complications still remains.

The so-called blockade of Germany by the Allies does not involve direct danger to American vessels, but it does present the prospect of a serious interference with our foreign trade. Germany has so far, by various indirect routes, obtained from this country considerable supplies even of contraband goods, and goods not called contraband by the Allies have been eagerly bought by German interests. It seems probable that most of this trade will be cut off.

In another way the situation militates strongly against our increasing foreign trade, upon which we are depending to such a large degree for the return of prosperity. The danger of accident from mines or submarines has greatly increased ocean freight rates. Over 200 vessels have been destroyed since the war began and many others have been interned or commandeered. Under such circumstances insurance rates have had to be raised. The scarcity of ships is also beginning to be felt, and this enables vessels that are available to secure high figures.

High ocean carrying rates are equivalent to a tax on both exports and imports. This would, under any ordinary circumstances, have a very serious adverse effect on our trade. But the present circumstances are not ordinary, and it is a question whether the needs of European nations are not so sharp that they will have to have our goods almost regardless of price. Ocean rates that would be almost prohibitive in times of peace may have only a slight effect now.

* * *

THE market continues to interpret German successes as bearish because they will presumably prolong the war, and success of the Allies as bullish in shortening the war. This interpretation may be open to some question. The remarks of Jacob H. Schiff, quoted elsewhere in this issue, are well worth considering in this connection. But prices in Wall Street are made by the opinions of investors, right or wrong—at least temporarily.

The majority of American observers undoubtedly believe that the Germans cannot win any greater success than they have already achieved. If that should be conceded, the alternative lies between a draw and a victory for the Allies, and from that point of view the market's interpretation of the war news would be correct. If the war ends in a draw it will almost certainly be much longer than if one side or the other is able to push home a decisive victory.

It will be noted that this view presupposes that the ending of the war will be bullish, but there are those who do not believe this. The end of the war, they say, will bring tremendous financing, which will overwhelm the markets of the world and will prevent any bull market from developing, even if it does not bring a further decline.

We do not agree with this view and it does not agree with history, as is being very clearly demonstrated by Paul Clay in the series of articles now running in this magazine. The strain on capital comes at the time the money

is actually being spent, regardless of whether it is obtained by temporary expedients or permanent bond issues. Big bond issues will follow the war, but they will represent the refunding of previous obligations of one form or another. The money will have been already spent. A change in the form of the obligation representing the expenditure will not require additional capital. And after the war there will be a great deal of absolutely necessary industrial activity in the reconstruction of property and machinery which have been destroyed, and in the resumption of their natural course by the industries of the world.

* * *

THE graphic shown in our last issue (February 20), entitled "Present Position of the Stock Market," made the fact very clear that since 1902 industrial stocks have tended to remain stronger than the rails. From January 1, 1902, to February, 1915, the average of 20 rails declined about 23 points, while the average of 12 industrials rose about 12 points.

There are two ways of looking at this. If the present tendency is to continue, the industrials will gain on the rails. But on the other hand, the time to buy any class of stocks is when they are low, and from this point of view the rails would be the better purchase.

The graphic, then, while interesting as history, does not settle anything—a characteristic, by the way, which is common to most charts and diagrams, whether of prices or statistics, though there are exceptions.

Our own idea is that the high-grade rails, which are paying regular dividends and earning a satisfactory surplus, are likely to do about as well as the average of industrials from this point on. The railroads are already getting considerably better treatment from the Interstate Commerce Commission, the press and the public. Moreover, they must continue to get better treatment. The country needs the railroads. It not only needs the railroads which it already has, but it needs more. And to get more, the roads must be allowed to make enough money so that their securities will be safe investments and can be sold to the investors of the world.

Without doubt certain industrials, in the future as in the past, will afford a more profitable medium of speculation than any railroad stock. It is the task of the careful investor for profit to select these stocks for a part of his money. But, on the other hand, some industrial stocks are benefiting largely from the war, and their peace profits will be likely to show a sharp falling off from present returns. These stocks should be sold at the first definite sign of peace.

It is entirely impossible, therefore, to say that industrials are a better purchase now than rails. This is emphatically a time when each company must be individually considered and the various factors which are likely to affect it weighed and pondered.

* * *

THE prospect for improving general trade now hinges largely on our exports. If the war lasts through the summer, new winter wheat will go forward in great volume. Even if the war should not last, the disturbance of agricultural operations abroad would probably result in a continued heavy demand for our wheat.

In January we exported more value in dollars of cotton than wheat, in spite of the low price of cotton and the high price of wheat. It is doubtful if this rate can be kept up on cotton, especially in view of the recently declared blockade, but cotton will be badly needed abroad and a good movement is likely to continue.

There will be no let-up in "war orders" for equipment and supplies. It is reasonable to expect, also, that our trade with neutrals will show a gradual increase, in view of the fact that their trade with Europe is now carried on under such a handicap. Our imports are practically certain to continue low. On the basis of the present outlook, our favorable trade balance for 1915 will not be less than $1,000,000,000 and may easily be more. The bullish significance of this prospect is obvious.

The Advantages of Bonds as Investments

Safety and Profit Depend, However, on Careful Selection of the Financial House Through Which Dealings Are Made

By ALBERT A. BRIDGHAM

THE man who goes down to the financial district, money in hand and ready to pay cash for what he buys, that is, the investor, not the speculator, should come back safely and with fair profit. To the conservative capitalist, whether his funds amount to only one hundred dollars or run into millions, bonds offer notable advantages.

When one has idle money on hand the main question is—what class of security shall be selected? One reason why the writer believes bonds to be the ideal form of investment is that there is little trouble connected with bonds. For instance, the collection of interest is a simple matter; wherever you may be, it is only necessary to cut and mail your coupons to your bank, and on returning home you will find the interest collected and credited to your account. At maturity the bond may be surrendered and the principal collected in the same way.

It has for many years been the popular idea that bonds were exclusively a rich man's privilege but with the many publicity campaigns now being carried on by corporations and bond houses, this fallacy is fast becoming obsolete. Bonds are now within the reach of the smallest saver, being written in denominations as low as one hundred dollars. Some high-class bond houses issue certificates for as small an amount as twenty dollars, these certificates being secured by high grade bonds. This is an ideal way to begin buying bonds and is well worth looking into by anyone having sufficient thrift to save a little out of his income each month.

The first consideration in purchasing a bond is, of course, safety. The rate of interest should always be of secondary importance, but five per cent. is not inconsistent with safety and the conservative investor can reasonably expect to realize this rate.

The question is, how to get a bond which will be absolutely safe and at the same time yield as high a rate of interest as five per cent.

All business, however small, however large, must be based upon confidence. Everything that we buy for personal use or in connection with our business is bought from some one in whom we have confidence. You select a piece of goods at your tailor's. He tells you that it is spun from a certain grade of wool, and you believe it, because you have confidence in him. Yet this statement made to you by your tailor is merely hearsay; he has been told the same thing by the jobber who sold him the goods, the jobber accepted the same statement from the mill which turned out the goods.

A bond dealer who buys and pays cash for the issues he handles is just as much a merchant as is a dealer in any other commodity. Therefore, if you are considering the purchase of bonds from banking or bond house, investigate its standing; this may be done through your own bank. Having satisfied yourself that the house under consideration is of unquestioned standing and enjoys a reputation for conservatism and safety, you can rely upon its judgment, accept its statements relative to its issues, and do business with the house selected on the same basis as that on which you would deal with any reputable merchant.

It sometimes seems as though the private investor turns to anyone but a banker or bond man for advice about bonds. Most people will give advice, solicited or unsolicited, on almost any matter and if you ask your druggist or your next-door neighbor what he thinks about a particular bond you will very likely get some sort of advice but it will not always be based on good judgment.

I have in mind a customer to whom I offered a certain bond. The wife of this customer had heard of a bond through some friend, and acting on this friend's advice insisted on buying the outside bond. The latter was put out by

a syndicate of brokers at 93½, and today is quoted in the market at 77, while the bond which I offered to the customer at 93 has shown a decrease of about three points. The reason for the big drop in the market value of the bond this customer purchased is that it was part of a very large issue, handled on brokerage, and has had no support since it was distributed, while the bonds that I originally offered were brought out by one bond house of moral and financial responsibility and the issue has been supported and protected.

The bond house has primarily an interest in its own bonds even greater than that of its customers, for the reason that while the customer, perhaps, is investing a very small amount, the house from which he buys is purchasing and paying for the entire issue of possibly a million dollars or more. In this connection, let us consider for a moment, what moral obligation a high class bond house must always feel toward its customers.

First—The conscientious bond house is bound to use the greatest care in the selection of the bonds it offers and sells to its customers. The house must know, beyond all reasonable doubt, that the issue is legal; that the replacement value of the property is well beyond the amount of the mortgage; that the financial standing and condition of the corporation from which it is about to purchase an issue of bonds, is sound and has been so for a period of years preceding the issue. It is not unusual for a conservative bond house to insist that the net earnings of a corporation from which it purchases bonds shall be two or two and one-half times its interest charges.

Second—In the event that the interest on an issue of bonds is for any reason defaulted, a bond house such as we are considering in this article will appoint a bondholders' committee; secure the services of a trust company to act as depository for the defaulted bonds; will retain counsel to act for the committee, and in short, take every step necessary to save its customers from loss. It may be well to add here that when it becomes necessary to reorganize a public utility corporation, the bondholders almost invariably realize the amount of their invested principal with accumulated interest, and suffer no greater loss than the temporary inconvenience of delayed payment of interest. This cannot be said of any other class of corporations known to the writer. The reason for this, doubtless, is that the commodity furnished is necessary to a large social and commercial community, and hence keeping the business going and carrying out plans of reorganization are matters of little difficulty.

[Another article by Mr. Bridgham will appear in an early issue, explaining the steps taken by a conservative bond house to safeguard the interests of clients who subscribe to a Public Utility issue.]

Third Avenue Railway

An Erstwhile Comatose Property Now Showing Signs of Life

By WILLIAM T. CONNORS

NINETY-NINE out of a hundred even of the old residents of New York will view the accompanying map of the Third Avenue's lines with surprise. Most of us know that this road will carry you from the City Hall to Kingsbridge, the full length of Manhattan Island, for a nickel—if you are not in a hurry; but few have realized that Third Avenue has gradually been filing a mortgage on the Bronx and Westchester County. From Randall's Island to White Plains and from New Rochelle to Yonkers, Third Avenue comes pretty near being monarch of all it surveys.

From the Battery to White Plains is something of a trolley ride, but you can take it on the rails of the Third Avenue if you want to, and moreover the company can give you the choice of numerous different routes. Past Central Park the company has only two parallel lines, one on Broadway and the other on Third Avenue; but the rest of the way you can take your choice of from three to ten north and south lines, and from Walker street to Tuckahoe road you will find included more than a score of cross-town lines.

There are 356 miles of track in all and the best part of the story is that most of this mileage is in rapidly growing territory. It is no small "stunt" to preempt all this developing region—even though the city is putting its credit behind a big new subway and elevated system.

Mr. Whitridge, the president of Third Avenue, says we should wait until we see what the effect of the new subway system is before we ask him to declare dividends on Third Avenue stock. Undoubtedly he is right; but it will be something novel in the history of New York if the new subways make any serious inroads into the business of the surface cars.

He says also that big appropriations for depreciation and renewals must be made for some years to come, before his road is really on a basis satisfactory to him. Depreciation and maintenance charges are now soaking up about 20 per cent. of the company's total revenue from transportation. This is liberal—very liberal. Alonzo E. Cottier declared, at the last annual meeting of the stockholders, that it was altogether too liberal and that the shareholders were legitimately entitled to some return on their

investment now that the road is earning it. But he failed to carry his point and Mr. Whitridge is having his way.

Mr. Cottier also criticized the recent purchases of belt and crosstown lines as representing prodigious expenditures, unnecessarily high for the properties acquired. On this point Whitridge has not deigned to defend himself. It is likely that he was influenced by the desire to head off competition, but he hasn't said so.

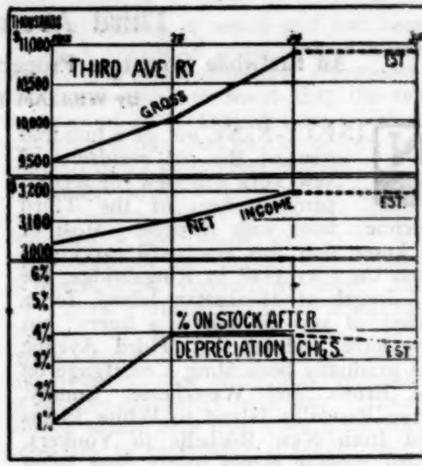
Taking a broad view of Mr. Whitridge's efforts, however, it is clear that he is making two nickels grow where one grew before and that he is gradually putting life into a property which was closely approaching the comatose stage.

The reorganized company took over the old Third Avenue and began operations January 1, 1912. The graphic herewith shows earnings for the calendar year 1912, for the years ending June 30, 1913 and 1914, and estimated earnings for the year ending June 30, 1915.

The gross earnings climbed steadily from 1912 to 1914, but the war, with resulting unemployment and general economizing, has prevented any further advance in income since last July. The present outlook is that results for 1915 fiscal year will be about the same as for 1914.

Normal earnings on the stock were reached in 1913 and have since been well maintained. They amount to about 6 per cent. on the stock before depreciation and a little less than 4 per cent. after depreciation. In the newspapers they are often given before depreciation, but this is misleading in view of President Whitridge's announced position.

In view of the facts that the company has so recently emerged from receivership, that the earning power of a street railway now depends so largely on its lines and rolling stock being in prime condition, and that the competition of the new subways must be met within a few years, it is doubtful if any president would be willing to talk about dividends at present. The stock has a speculative value and a lot of people have great confidence in its future, but its earnings are now merely an index to the progress of the property and have no immediate relation to the question of dividends.



Looking to the more distant future, there is little reason to expect that Third Avenue can greatly increase its revenue on Manhattan Island. The saving feature of the traffic on the island proper is that it consists so largely of short hauls. Manhattan will be abundantly equipped with rapid transit facilities for years to come when the new subways and elevated third tracks are ready for business. These lines will get the long hauls, however, and how much they will interfere with the short haul traffic of the Third Avenue is an open question. There is still room for big development at the north end of the island, where the Third Avenue's Kingsbridge line operates, but this territory is comparatively limited.

As for the "Jitneys," it is doubtful if they can do much in New York. The ten cent bus lines do not interfere much with the street railways and crowded traffic and magnificent distances will make it difficult to make any great number of nickel buses pay.

The Bronx, great as has been its growth, has probably only made a fair start. With better rapid transit facilities, the vast reaches of empty land in that borough must gradually fill and the coffers of Third Avenue will fill with them. Traffic in this borough will gradually become more like that on Manhattan, in that short hauls will predominate while the long haul business is done by the subways and elevated, the

New Haven and the New York, Westchester & Boston.

When we come to Yonkers and Westchester county, room for growth becomes almost unlimited. The entire ring of suburban property around New York—Long Island, Staten Island and Jersey—will come into competition with Westchester for new population. From these sections the steam roads will handle the passenger business to New York, either by locomotives or by the third rail.

Westchester has one great advantage, in that the country there is more varied and beautiful than in any other section so near to Manhattan; but after all, distance is the most important factor in the locating of homes, and the ring of territory around New York at the distance of Westchester contains room for many more millions than are now in prospect. Third Avenue's traffic in this region must grow, but it will grow slowly. Any great increase in earnings there is a matter of the somewhat distant future.

President Whitridge has shown a good deal of independence in his management of the property. Having first taken hold as receiver, he feels that its rebuilding is largely his handiwork and that he knows the needs of his road.

About a year ago he surprised the bond houses by going direct to the public with an issue of $4,000,000 4 per cent. bonds at a time when financing was more than usually difficult. There were fifty-one bidders, for a total of $18,872,000, or four and one-half times the amount offered. The average price realized was 83, which was better than could have been done by underwriting at that time. Four-fifths of the bids were for amounts less than $50,000—but the big Wall Street houses bid the highest and got most of the issue. The experiment has not been repeated by other corporations on any large scale.

To the investor the Third Avenue adjustment mortgage income gold 5s, due 1960, are more interesting than the stock. These are, of course, about the same thing as non-cumulative preferred stock, since the interest need not be paid unless earned. On April 1, 1913, 1¼ per cent. was paid on these bonds; 2½ per cent. October 1, 1913; and regular interest at 2½ per cent. semi-annually since that date.

The five per cent. on these bonds is being earned with a substantial margin to spare and there is no reason in sight why it should not continue to be earned. Nevertheless the bonds are generally regarded as being in a speculative position and they are now selling a little below 80, which makes the yield nearly 6½ per cent. The possibility of a temporary loss of income during a period of extraordinary business depression has to be reckoned with, though this is not a probability. But it seems to me that these bonds afford a reasonably safe "business man's" investment.

The stock is not an investment but it is a rather attractive medium of speculation and has a considerable following of strong believers in the future of the property. It is one of those issues which may be picked up in times of panic and afterwards sold at a good profit; for Third Avenue is here to stay and the business of carrying passengers in New York City and Westchester County will not have any very wide fluctuations.

In the next issue Mr. Connors will discuss the prospects of Commonwealth Power, Railway & Light.

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompany them.

Two Safe Bonds.

C. C.—You ask how you should invest about $2,000 at this time in the "most advantageous and safest way."

For $1,000 we would suggest Swift & Company 1st mtg. 5% bonds, of which some have just been issued, and which are being offered to yield an income of 5.27%. The other bond might be the Southern Pacific Co. (secured by the San Francisco Terminal) 1st mtg. 4% bond, which you can buy now to yield about 5.2%. This makes an excellent combination, a good income and an investment over which you can sleep soundly. When you are ready to invest the other half of your capital write us again.

Diversification of Holdings.

For a person already owning a few shares each of Gen. Electric, Great Northern and B. R. T. and wishing to add to the same and desiring reasonable safety and a further diversification, could you recommend such as U. S. Cigar Stores com., Western Union and Am. Smelting & Refining pref.?—F. W.

We see no objection. The fact that Western Union sells at about 62, United Cigar Stores of America at 90 and American Smelting & Refining preferred at 102½ is sufficient indication in itself that there is a large difference in the character of these stocks. Your fundamental idea, however, of gathering together a group of stocks of six different kinds ranging from 62 all the way to 141, the current level of General Electric, is sound, both from the viewpoint of safety and income. It is a commendable diversification.

Swift & Co. 5s, Etc.

A. H.—Swift & Co. 5% bonds of 1944 are excellent securities. Buy them without the least hesitation. The reason why the stock does not bound up to high figures is that the people who control the company do not engage in dividend and stock market pyrotechnics, nor can anyone else, because the stock is so closely and narrowly held, considerable of it being in the hands of employees. Everybody who knows the company knows it moves along in a beaten path of sticking to business, making money and putting that money into the business again.

Some very good bonds other than railroad issues, which are listed and would meet your requirements, are U. S. Steel S. F. 5's, Western Electric 1st 5's 1922, Westinghouse Electric 5's of 1931, American Tobacco 5's 1951 and 6's 1944, and Virginia Carolina Chemical Co. 5's of 1923.

B. & O. Convertible 4½'s.

Why have B. & O. convertibles declined so sharply within a year or two?—C. G.

Because the value of the convertible privilege is greatly lessened by reduction of stock dividend from 6 to 5%. The company is earning now at an estimated rate of a little above 4% on the common stock. The dividend reduction and the poorer earnings (and therefore the smaller margin of safety for these bonds) have had a depressing effect on the market position of this security, although it is a good bond and, we believe, perfectly safe.

American Locomotive Notes.

Are the notes due this year a serious menace to the American Locomotive Co.?—A. W.

The $1,600,000 notes of the American Locomotive Co. due July 1 next may prove an embarrassment to the company, but we do not think they are a serious menace. Before they would become a menace it would be necessary that the company be in something of a bad way to meet fixed charges. It is not earning anything for the preferred stock now, and is having a hard time in the matter of business, but will probably be able to scrape through this year. These notes may be refunded to keep the company's cash position in good shape for increase in business when that comes. We believe these notes will be cared for; they involve such a small fixed charge comparatively that they could hardly be a menace to the company.

Union Pacific Rights.

How do I stand in the following chestnut (to me)? I bought 20 shares Union Pacific common and received one dividend 2½%. Then rights came off, dividends being only 2% quarterly. Are my rights yielding interest? Am I losing interest by not converting my rights into B. & O. stock?—P. N.

Each share of Union received $3 in cash, $12 in Baltimore & Ohio preferred and $22.50 par value in B. & O. common stock—or at least each Union shareholder got rights which entitled him to all that. Your rights are not yielding interest, but the stocks in the Union Pacific treasury (there waiting to be claimed) represented by these rights are getting some dividends, which of course the Union Pacific is holding along with the stocks. Shortly after the Union Pacific gave these rights to its stockholders entitling them to the things mentioned, it reduced its own dividend to 8%.

As it stands now you can turn in your

rights and get the things mentioned or you can sell your rights in the market. You come out about the same so far as money is concerned whichever you do, because the market has adjusted the quotation for the rights to suit the conditions.

Exchanging Into Dividend-Payers.

I have stocks bought before the war now selling at about what they cost me, as follows: 20 Can common, 20 Gt. Western pref., 20 M., K. & T. pref. Would you advise me to sell these and buy Atchison, St. Paul and U. P. at this time?—A. W.

Yes. Chicago Great Western and M., K. & T. have a long pull ahead of them before they are likely to show substantial profits. Can common is not so good as it looked a few months ago, although this year's business may be an improvement over last year. It is understood that the company is going to write off liberally this year for depreciation. Whether this depreciation is going to be charged against the income account is not known, but in either case it will affect the surplus figures greatly. This is likely to act against the market position of the stock.

Atchison and St. Paul and Union ought to show good profits in the months to come, but at any rate if you buy these three you will be getting a good income on your money and can wait for profits. On the stocks you now hold you get no income, and have only a small chance for appreciation in market value in the near future.

Am. Hide and Leather Pref.

I should appreciate your opinion of American Hide and Leather preferred. It seems to me it is a good thing for a long pull.—E. O.

We are not favorable to this stock "for a long pull" because the pull may be too long and a good deal can happen during that long pull. Dividends have accumulated to the extent of about 106% because the stock has not paid anything since 1905, and the margin of earnings left over after meeting all charges is so thin as to preclude any likelihood of any substantial amount of dividend on the preferred for a long time.

There is nothing in the intrinsic position of the stock to pull it up in price; it will be the movement of the general market only that must be depended upon. The hope is too thin. Don't buy it. Rather buy something like Seaboard Air Line common in the railroads, or Colorado Fuel & Iron and U. S. Steel common among the industrials, if you want a better chance of making some money on a long pull.

M., K. & T. Common.

M. R.—Only improvement in the general market will bring this stock up. Nothing in the company is bullish on the stock. There are some $19,000,000 notes coming due May 1 which the company will of course have to finance in some way. It cannot pay them off.

If you don't like these facts, and have not a large loss, you might sell and put the money into Steel common, Seaboard Air Line preferred or Ray Copper, which are likely to show appreciation over present prices much earlier and to a much greater extent than M., K. & T. common.

S. S. Kresge.

A. H.—S. S. Kresge is a well managed concern and in a business (five and ten-cent stores) where we may expect reasonable stability from year to year. The latest information given is very bullish on the common stock, sales for the year ended December 31 last being 21.4% over the year previous, and profits of over 18% having been earned on the common stock. Last year it paid 6%. Under such circumstances the stock looks like one of the best industrials on the list.

The United Light & Railways 6% Notes.

J. S.—These are a satisfactory investment. They are sponsored by one of the best investment houses and have a large margin of safety as shown by the last earnings statement. The money which these notes procure represents improvements to property in large part, the best kind of expenditures. There is a considerable equity back of these notes as shown by the market values of the securities coming after them. The company has good franchises and in general is in an excellent position. Buy them without hesitation if you wish. You can sleep soundly over them.

Canadian Pacific.

F. S.—On the basis of the present price Canadian Pac. is yielding an income of about 6½%. Just now the road's earnings are having a slump all around, and if this continues very much longer the full 10% dividend will not be earned. Of course the company has earned such handsome amounts more than necessary for its dividends in past years that it has accumulated a fine surplus against which it could charge some of its dividends. But a long slump in earnings might bring Canadian Pacific down to an 8% dividend, which would probably take off quite a little from the market price. For the long pull we think you need have no hesitation in buying Canadian on declines, as it runs through a splendid territory the development of which is just beginning.

Central Leather.

L. N.—A dividend of 3% has been declared on the common, but the price stays down in the thirties, which makes the income yield very high on the basis of the dividend declared.

The company was doing only moderately well when the war started, which gave it a big boost in business, resulting in a fine showing of earnings for the year, which in turn permitted the increase in dividends. It

was the leather end of the business which caused this to come about. But the war and its unnatural disturbance of business must end some time.

The intrinsic position of the common stock is being steadily strengthened, but that the dividend will continue at the present rate is far from certain.

Southern Pacific.

W. F.—If you will read the article on page 46 of our May, 1914, number and the succeeding number, you will find Southern Pacific exhaustively treated. In our issue of September, 1914, you will see why Southern Pacific is one of the most attractive stocks on the list. For several years past this company has earned a large margin over its dividend requirements, ranging as high as 13% in 1910 and averaging about 10% for the five fiscal years ending with 1913, but in the 1914 year it earned only 7½%, and there has been a considerable falling off since. We must, however, regard the average as a better indication of the road's earning power than the earnings of any single year. There is nothing in sight which can seriously and permanently affect the earnings of this property. Furthermore, there are the enormous equities to consider, and for this reason alone the stock should be one of the best long pull purchases on the list. If, therefore, you are long of this stock at 88, you would do well to hold it, and to buy more on a further important decline if this should occur.

Westinghouse—Case Threshing.

W. M.—Westinghouse Electric has shown average earnings for the past five years of about 9%, and in the 1914 fiscal year it earned nearly 11%, after writing off large investments in foreign countries. The company is in a strong position, and with a recovery in general business conditions should once more become a large earner. We recommend the purchase of the stock at present price (71).

Case Threshing Machine has not issued a report later than December, 1913, in which it showed a net profit of $1,268,651, from which was deducted $850,500 for preferred dividends. This is a very old and well managed concern, and we regard its prospects with favor, but information furnished is so meagre that we should prefer to invest in the securities of other companies which issue more frequent and complete reports.

International & Great Northern Railway Co. First Mortgage 6% Bonds, due 1919.

Yield at present prices, about 6%.

In the estimation of many good judges of values, these bonds present one of the best comparatively short term investments obtainable. They are secured by a closed first mortgage at the low rate of $10,200 per mile of road on 1106 miles, the entire road owned by the company. Their outstanding amount is $11,291,000 compared with an official valuation of the property made a short time ago by the Texas Railroad Commission of $32,234,546.

These bonds are followed by about $14,530,000 Refunding Mortgage 5 per cent. bonds, $13,750,000 of which are deposited as security for $11,000,000 notes now in default.

The International & Great Northern has had much adversity, first, disastrous floods, then the Mexican war which closed the Laredo gateway, and lastly the European war which has seriously interfered with its main article of traffic, cotton. In spite of these abnormal influences, the road has continued to earn the interest on its first mortgage 6 per cent. bonds. Current earnings indicate that the worst is over and that the company should do better from now on.

An indication of the strong position of these bonds is shown by the following statistics:

Official valuation of property covered (per mile)	$29,145
Amount of these bonds (per mile)	10,200
Average gross earnings past 5 years (per mile)	8,620

It will readily be seen from these figures that the value of the property covered by these bonds is almost three times their outstanding amount.

The gross earnings per mile also average 85 per cent. of the amount of these bonds, which is an extraordinarily high ratio. For example, gross per mile of six other roads operating in similar territory average less than 40 per cent. of their bonded debt. The Louisville & Nashville with gross earnings of $12,300 per mile has a bonded debt of $40,000 per mile, the ratio in this case being about 32 per cent.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither THE MAGAZINE OF WALL STREET nor the authorities quoted guarantee the information, but it is considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. Additional items will be found in the Public Utility and Mining, Oil and Curb Security departments.

American Agricultural Chemical. — STRIKE CONCLUDED at Co.'s two New Jersey plants. Men returning to work on terms offered by officials. Advance in wages is 20c. a day. Co. operates 38 other plants at none of which serious labor troubles have ever occurred. Present selling season surprisingly good. 4% common div. considered reasonably safe, and in some quarters it is expected that 1914 record of net may be duplicated.

American Brake Shoe & Foundry.—REPORT for yr. ended Sept. 30, 1914, shows earnings, $1,059,745; int. on bonds, $36,173; net profits, $1,023,572; pfd. divs., $400,000; common divs., $322,000; surplus, $301,572. The Genl. Balance sheet as of Sept. 30, 1914, shows cash, $714,004; accounts and bills receivable, $1,566,951; profit and loss surplus, $4,302,918; total assets and liabilities, $16,175,011.

American Can.—CURRENT YR. expected to be largest in can making industry's history. This Co. does not publish gro. earnings, but it is known that for 1914 these made a record. The net made less favorable showing. Substantial amount has been written off on plants and machinery. $500,000 was added to contingent fund. $500,000 was spent for improvements and treasury is in better condition regarding working capital and cash than ever before. Co. makes more than 43,000 different kinds of cans or containers.

American Car & Foundry.—LARGE ORDER received from Illinois Central comprises $6,200,000 in new equipment. Vice-Pres. Parker says: "It is the capitalization of our optimistic feeling."

American Ice.—MILD WINTER is favorable to this Co.; sharp recovery in net earnings expected by officials. Co. has ordered its Maine ice houses filled as a source of reserve supply in case of need this coming summer. Co.'s strong situation is founded on fact that it is a 70% artificial ice concern. The fiscal yr. to Oct. 31 last was a period of poor earnings. The balance for the $15,000,000 pfd. was abt. 2¾% against 11% in 1913. It is not at all impossible that there will be some such big swing as this in the 1915 earnings. An increase of $1 per ton would easily make a difference of 5% to 6% in the balance for the preferred stock.

American Locomotive.—EARNINGS for abt. 8 mos. of current fiscal yr. which ends June 30 next have not been sufficient to cover pfd. div. Under present deplorable condition of equipment business it is considered that this Co. will do well to earn fixed charges.

American Sugar.—DIVISION of Co. into two corporations rumored, but nothing definite ascertainable. One such corporation would under the plan spoken of be a holding Co. owning beet sugar stocks, bonds, notes and other investments now in the treasury; the 2nd corporation would do a straight refining business.

American Woolen Co.—SHARP RECOVERY in earnings last yr. It is understood that Co. during 12 mos. ended Dec. 31 last made sufficient profit to meet div. requirements, and laid by enough more to bring total earnings on $40,000,000 pfd. to 8%; that is, Co. earned better than $3,000,000 net. A yr. ago Amer. Woolen for first time in its history reported an operating loss amounting to $677,000 and swelled by depreciation charges to $1,179,000. War stemmed flood of foreign importation. Co. has placed with Brown Bros. & Co. $1,000,000 Ayer Mills construction and equipment 3-yr. 5% notes, due March 1, 1918. The proceeds will be used in refunding. The new notes are guaranteed principal and int. by the American Woolen Co. and therefore constitute a contingent lien upon the parent Co. They will soon be offered for sale.

American Writing Paper.—REPORT for yr. ended Dec. 31, although better than that for preceding yr., was not satisfactory, as Co. failed to earn fixed charges by more than $100,000. In order to meet int. on bonds and provide for sinking fund requirements it was necessary to draw on surplus for $108,310, which cut profit and loss surplus to $1,652,721. In 2 yrs. the surplus has been reduced by more than $450,000. The net earnings for the yr. were $1,009,637, as compared with $943,910 in 1913, an increase of $65,000. The plants of the Co. have been kept up to their usual standard by expenditure of $350,144, all of which has been charged to operating expenses.

Atlantic Gulf & West Indies.—RECENT EARNINGS of several subsidiaries show decided improvement over unsatisfactory record for Nov., when gro. declined $344,000, or more than 20%.

Baldwin Locomotive.—REPORT for yr. ended Sept. 1, 1914, shows gro. sales $13,616,163, comparing with $37,630,969 in 1913. Net profit $350,230, equal to 1¾% on $20,-

000,000 pfd. and comparing with $4,673,639, or 20.5% earned on same pfd. in 1913. Deficit after divs. for 1914 was $1,449,770, comparing with a surplus in 1913 of $2,217,-800. Profit and loss surplus $3,438,021, comparing with $4,887,791. Pres. A. B. Johnson says: "Falling off in railroad revenues caused cessation of equipment purchases. Stress of competition forced prices of orders secured close to cost of production. Business outlook at beginning of 1915 is somewhat more favorable, but there is nothing to indicate more than moderate activity during first half of yr." Keenest depression in its history now felt by this Co. Working forces cut to less than 20% of normal, and operation is at abt. same proportion to capacity. Foreign business accounts for about half of this and has been booked at very low figures, showing little or no profit. Common will probably be passed in June unless an unexpected revival occurs.

Baltimore & Ohio.—GROSS EARNINGS for 7 mos. including Jan. were $53,624,706, a decrease of $7,438,555 from same period of prev. yr. Net was $14,559,604, a decrease of $1,312,288 from figures of same period for 1913.

Bangor & Aroostook.—DIV. REDUCED from 4% rate by semi-annual payment of 1%, but even this disbursement was undoubtedly charged to previously accumulated surplus, as from past 6 mos. operation there has been recorded a deficit greater in amt. than this last div. paid. Net operating revenue for 6 mos. to Jan. 1 was $507,-136, a decrease of $106,692; operating deficit for last 6 mos. was $53,344.

Bethlehem Steel.—GERMAN STOCKHOLDERS of this Co. are said to own abt. 20% of capitalization. 20 submarines contracted for by Great Britain will not be delivered until after the war.

Boston & Maine.—STATEMENT for quarter ended Dec. 31, 1914, shows that with a further decrease of $723,000 in gro. earnings the management saved nearly $1,200,-000 in operating expenses, so that with decrease of $200,000 in charges actual balance of $35,000 was shown. If it can be done without too great cost, Boston & Maine trustees are understood to intend avoiding receivership; effort will be made to extend notes. About $31,000,000 of system's security issues must soon be refinanced.

Canadian Pacific.—DIV. QUESTION; for 1st time since stock was placed on 10% basis holders of common are concerned over Co.'s ability to maintain divs. Loss in earnings for 1st 6 mos. of current operating yr. was heavy. In half yr. ended Dec. 31, 1914, gro. fell off $19,348,036, or abt. 25%, and net $7,577,860, or 24%. Continued at this rate, allowing for seasonable changes in traffic, net for yr. ended June 30 would show a loss of about $10,600,000.

Central Leather.—REPORT for yr. ended Dec. 31, 1914, shows 6.41% earned on common, comparing with 5.17% in 1913. Net earnings increased by $446,000. Pres. E. C. Hoyt says: "Trade conditions generally in U. S. in 1914 were more unsatisfactory than in preceding yr. and both leather and lumber industries suffered. European war led, however, to demand from abroad for leather which largely made up for falling off in domestic trade; in the case of our lumber business there was no such offsetting advantage. Production of shoes in this country, which is ordinarily abt. 300,000,000 prs. a yr., is estimated to have declined during 1914 abt. 20%. Exports of sole and belting leather, which for 12 mos. prev. to June 30, 1914, averaged only $623,000 a month, leaped to $2,376,000 in Oct. and $3,655,000 in Dec. Total 1914 exports show increase of 70% over 1913. Co.'s property acct. has been reduced by $1,363,249, due to stumpage cut, bark peeled and 8 abandoned saw mills and tannery plants that were charged off. All repairs and improvements have as usual been charged to operating expenses, the total sum amounting to $1,322,279.

Chesapeake & Ohio.—DIV. BASIS is now in effect semi-annual. Last payment of 1% was declared in Nov. last and the one prev. in May, 1914. No action will be taken on question of next div. until May. War traffic consisting of unusually large shipments of grain and horses to Newport News is making presence felt satisfactorily in earnings. 2nd week of Feb. gro. was $67,000 better than last yr. West bound coal tonnage continues heavy.

Chicago & Alton.—REPORT for 6 mos. ended Dec. 31, 1914, shows operating revenue $7,546,618, a decrease of $423,339 from same period prev. yr. Income after taxes $1,690,310, an increase of $412,125.

Chicago & Northwestern. — RECENT WEAKNESS of common not explained by Co.'s current statement. Common divs. after all obligations for the first half yr. were earned with a margin of safety of abt. 30% and the outlook in the Northwestern territory is said to be full of promise for the spring.

Chicago, Rock Island & Pacific.—INCREASED EARNINGS are being hidden in unnecessarily large maintenance charges says M. L. Amster, chairman of minority shareholders' committee. He continues: "It is vital for stockholders to elect at least 4 of their own directors at the coming postponed meeting in April. The property is one of the best in the country. It has ranked on a par with Burlington, with Chicago & Northwestern and with St. Paul; it can do so again if given half a chance." December gro. was $279,000 ahead of the same mo. a yr. ago in spite of this being the stormiest yr.-end for a quarter of a century. These gro. revenues, however, totaling $5,-888,205, were $1,000,000 behind Sept., the

banner mo. in gro. since July 1, 1914. Should miscellaneous freight pick up in near future the road would gain advantage of good traffic moving each way, as it was estimated that at end of Dec. only about half of the wheat had been moved out.

Cleveland, Cinn., Chi. & St. Louis.—SPECIAL MEETING called for March 15 at Cinn. to authorize road to join with the Pittsburgh, Cinn., Chi. & St. Louis Ry. Co. and the Vandalia R. R. Co. in jointly and severally guaranteeing payment of principal and int. of not exceeding $10,000,000 of bonds of the Indianapolis Union Ry. Co. Bonds will be sold as work progresses, approximately as follows: In 1915, $1,000,000; in 1917, $1,500,000; in 1919, $1,500,000; reserved for redemption of present bonds $860,000; reserved for future corporate purposes, $5,140,000.

Colorado Fuel & Iron Co.—EARNINGS for 1st. 7 mos. of current fiscal yr. were gro. $9,169,282, as against $10,293,523 in prev. corresponding period. Balance after deducting all charges was a deficit of $496,481. Deficit in 1914 was $579,641, comparing with a surplus of $922,711 in 1913. Direct cost of recent strike was $464,000. Indirect cost due to loss of business is estimated at $700,000. Operations at steel plant are now on basis of 60% of capacity. The demand for merchant bars and all kinds of rail accessories is low and at prices that return little or no profit. Wire and mail orders show some improvement and we hope for good spring trade with some increase in prices. No large expenditure for equipment or improvements will be necessary during this calendar yr.

Delaware, Lackawanna & Western.—REPORT for yr. ended Dec. 31, 1914, shows surplus after divs. of $3,525,559, comparing with $3,670,816 for prev. yr.; total income $18,951,115, as against $18,070,201 for 1913. Surplus last 12 mos. amounted to 28.31% on $42,220,400 stock, comparing with 32.03% earned on $30,277,000 prev. yr.

Denver & Rio Grande.—WEIGHED DOWN by Western Pacific. D. & R. G. unable any longer to make up deficit of its Pacific Coast extension. Readjustment of system's finances still under consideration.

Erie Railroad.—PROPERTY REHABILITATION practically completed and when an increase in gro. appears, this should show in the net. In 1914 the Erie carried from Chicago 11.6% of total freight east bound from that city on all lines; this is an increase of 30% over 1902. In 1914 the Erie carried out of New York 14.3% of total west bound tonnage carried by all lines; this is an increase of 77% over Erie's 1902 tonnage.

General Chemical Co.—INCREASED CAPITALIZATION. Stockholders at special meeting have authorized increase of capital to $40,000,000. Half 6% cumulative pfd. and half common. The increased authorization represents $5,000,000 pfd. and $7,500,000 common. Of the authorized stock the only amt. to be issued at this time is $250,000 pfd. to complete exchange of stock for that of General Chem. Co. of Cal. At another special meeting held Thursday, stockholders ratified the change in by-laws so as to permit pfd. stockholders to subscribe solely to new issues of pfd. stock from time to time, and common stockholders to do likewise regarding common stock issues. Reg. quar. div. 1½% on pfd. payable April 1 to stock of record March 17.

General Electric Co.—A RUSH CONTRACT recently taken, presumably for export acct., has resulted in important increase of operations at Lynn works. For last 4 or 5 mos. 80% of this plant has been running only 4 days a week, now 40% of employees are on full time.

General Motors.—MATURING NOTES. On Oct. 1 next Co. has $7,852,000 6% notes coming due, the balance of an original issue of $15,000,000. The other $7,500,000 have been retired from yr. to yr. through sinking fund operations. The probabilities are very strong that when these notes mature they will be paid off from surplus cash on hand. General Motors has been running strong in cash for the past 2 yrs. and it is believed that even after these notes have been retired at par the Co. will have a cash balance in the banks of at least $8,000,000, and no bank loans whatever.

B. F. Goodrich Co.—REPORT for yr. ended Dec. 31, 1914, shows surplus of $3,371,927, equal to 5.62%, earned on $60,000,000 common stock, and comparing with 0.83% earned on same stock prev. yr. Pres. Work says: "1914 conditions were fairly normal in respect to labor, prices of raw material and volume and prices in our market for finished products. While operations of our French Co. were seriously interfered with during early stages of the war, it was possible to resume manufacturing on a commercial scale after a couple of mos., and while volume of the business did not reach normal, earnings for the yr. showed improvement. Directors have voted, subject to approval of shareholders, to retire 20,000 shares pfd. Cash assets have been increased materially and current liabilities substantially reduced. In pursuance of this policy of conserving resources directors have not deemed it advisable to renew divs. on common. B. F. Goodrich & Diamond Rubber are now working under a combined organization so as to operate practically as a unit."

International Mercantile Marine.—BOND DEPOSITS.—According to last report $10,000,000 bonds remained to be accounted for with the Bannard committee, representing holders of the 4½% mtg. and collateral trust gold bonds. Time for deposit ended Feb. 27.

International Paper.—REPORT for yr. ended Dec. 31, 1914, shows 5.07% earned on

pfd. as against 4.43% on same stock prev. yr. Surplus for 1914 is $689,575; total surplus $11,630,869. Co. has been renewing expiring contracts on same terms as were obtained in 1914, receiving 2.15c. a lb. for the greater part of its tonnage. Output at present is about 90% of capacity. Earnings are at rate of between $4 and $4.50 per share on $22,406,700 pfd. stock.

Kansas City Southern.—REPORT for 6 mos. ended Dec. 31, 1914, shows operating revenue $5,288,576, a decrease of $140,768. Operating income after taxes $1,608,979, a decrease of $228,002.

Loose-Wiles Biscuit Co.—REPORT for yr. ended Dec. 31, 1914, shows net after depreciation $635,654, a decrease of $141,159. Balance after divs. $13,501, a decrease of $98,312. Report says: "Notwithstanding unusual conditions profits earned during the past yr. have justified divs. on pfd. Nevertheless uncertainty of outlook may render it desirable to discontinue divs. on 2nd pfd."

Louisville & Nashville.—BONDS SOLD. J. P. Morgan & Co. have bought from Louisville & Nashville $7,500,000 1st mtg. bonds covering lines built by Lexington & Eastern Ry., a subsidiary, into coal fields of Consolidation Coal Co. in Eastern Kentucky. Existing mtg. on it to be satisfied prior to issuance of new bonds, which are guaranteed principal and int. by Louisville & Nash.

Maine Central.—BILL PENDING in Maine legislature would empower Co., upon an affirmative vote of majority interest, in addition to affirmative vote of such portion of its stock as is held by the Maine Ry Cos., to retire $10,000,000 of stock held by latter. In order to provide funds for such retirement, the proposed legislation will authorize Maine Central to issue $10,000,000 non-voting 5% pfd.

Minneapolis & St. Louis.—EARNINGS BETTER this fiscal yr. Surplus for 6 mos. ended Dec. 31, 1914, equal to nearly 5% on pfd. stock. Co. has no maturities this yr. except yrly payments of equipment trust certificates. Next yr. $2,500,000 6% notes fall due.

Missouri, Kansas & Texas.—INTEREST INCREASE. Stockholders will be asked at annual meeting April 8 to approve increase of annual int. rate on consolidated mtg. bonds to 6%. These bonds now pay 5%. Total authorized issue is $125,000,000, of which $66,000,000 were reserved for refunding purposes. Increase is understood to aim at facilitating sale of bonds and redemption of notes whenever market becomes favorable for such transaction.

Missouri Pacific. — OUTLOOK ENCOURAGING as compared with recent sentiment. If Kuhn, Loeb & Co. become financial sponsors and work out reorganization stockholders are likely to be called on for heavy assessment and bond holders will feel a scaling down. Physical condition and operating efficiency improving.

National Biscuit Co.—REPORT for yr. ended Jan. 31, 1915, shows net profits $4,520,402, comparing with $5,168,018 for yr. prev. Surplus after divs. $737,567, comparing with $1,385,183 for prev. yr. After allowing for 7% divs. on the $24,804,500 preferred stock, the balance, $2,784,087, is equal to 9.52% on the $29,236,000 common stock. This compares with 11.73% earned on same common stock prev. yr.

New York Central.—SPECIAL MEETING April 20 called to obtain stockholders' authorization for $100,000,000 6% convertible debenture issue and equal increase in Co.'s capital stock for conversion purposes as needed; letter of notification contains following: "Since Jan. 1, 1900, the N. Y. C. & H. R. R. R. Co., The Lake Shore & Mich. Southern Ry. Co. and their subsidiaries, now consolidated into the New York Central R. R. Co., increased their resources by $658,000,000, of which over $122,000,000 came from the sale of capital stock and over $114,000,000 from earnings. The remainder came from the sale of bonds, equipment trust certificates and notes. During the same period more than $400,000,000 has been spent for additions and betterments. When the convertible bonds shall be outstanding, the average of the interest which the Co. will pay on the total of its bonded debt will be 4.17%, and the average int. upon its equipment trust certificates will be 4.61%. At the request of the Co. and under the terms of the fiscal agency arrangement of Feb., 1911, J. P. Morgan & Co. have formed a syndicate to underwrite the issue at par. As fiscal agents they are to receive for their services their stipulated commission of 1½%. The Co. is to have the benefit of all commissions on directors' subscriptions. To the extent that profits shall be realized by the syndicate in excess of its commissions the same shall be divided equally between it and the company. No commissions are payable except in respect and to the extent of such bonds as shall be actually issued."

Pennsylvania Railroad.—LAND HOLDINGS not used directly for railway purposes and comprising 2,000 parcels of land will be sold and opened up to improvement in Chicago alone. Same policy will obtain on other portions of system, including lines east of Pittsburgh. Co. is said to hold accumulations of land valued at $200,000,000.

Pressed Steel Car Co.—REPORT for yr. ended Dec. 31, 1914, shows sales $13,377,090, a decrease of 56.8% from prev. yr. Co. has had two good yrs. in last 7. Net earnings for 1914 declined 62.4% to $892,351. Total of unfilled orders at close of fiscal yr. was very small. 1915 will probably be a very trying yr. and pfd. will hardly be earned.

Reading Co.—DIV.—Reg. quar. 1% declared, payable on 2nd pfd. April 8 to stock of record March 23.

Republic Iron & Steel.—REPORT for yr. ended Dec. 31, 1914, shows this was worst yr. in Co.'s history, both as to prices and demand. Gro. sales were $21,366,249, a decrease of over $10,000,000. Earnings on pfd. were 4.11%. For the last 18 mos. surplus for divs. has averaged 5¾% a yr., or only 80% of div. requirements. Chairman Topping says: "Unsatisfactory condition of iron and steel business continued throughout entire yr. Expenditures for new construction (which now completes all authorized improvement) aggregated $1,700,608. The physical condition of Co.'s property was never so good as at present and our financial condition is unquestioned, the balance of net quick assets being $10,752,361, which is sufficient for working capital requirements. No financing is in contemplation except as suggested by the maturity, June 2, 1915, of the collateral notes to amount of $3,000,000.

Sears Roebuck.—STOCK INCREASE of from $40,000,000 common to $60,000,000 authorized. Stock div. of 50% on common declared, payable April 1 to stock of record March 15. Retiring officers and directors re-elected.

Southern Pacific.—NET EARNINGS improving each month. Jan. gross showed decrease of $1,135,494. Decrease of gro. for 7 mos. was 6%, but this is not considered excessive. Canal competition to date has made little impression. As the Jan. gro. loss was cut to a loss of only $108,475 in net the report is considered encouraging, this being the smallest loss shown for any mo. this fiscal yr. Good exposition traffic is expected to help. Co. has been notified by Interstate Com. Commission that it must dispose of Pacific Mail Steamship Line if steamers go through canal.

Southern Railway.—PFD. DIV. not acted on by directors. No announcement of postponement for a mo. was made as last fall. Less than 1% was earned on this issue in last 6 mos. In the first 6 mos. of current fiscal yr. Co.'s gro. dropped 9.8%. Jan. gro. decline amounted to 19.5%. Expenses were slashed, but net operating income suffered a loss of 31.3%.

Studebaker Corp.—REPORT FOR yr. ended Dec. 31, 1914, shows a $3,975,614 balance, or 14.23%, on $27,931,600 common stock, comparing with $1,003,338, or 3.59%, on same stock prev. yr. Net sales for the yr. were $43,444,223, as compared with $41,464,950 prev. yr.

United Cigar Mfrs.—RECORD yr. closed Dec. 31, 1914. Increase in gro. being placed at $900,000, but increased expenses absorb $635,000, leaving net increase $265,000. Miscellaneous income decreased $250,000, so that total net was only $16,000 in excess of 1913. During yr. floating debt was reduced from $2,797,000 to $2,038,700. Surplus for divs. was $1,554,796, which, after payment of 7% on $5,000,000 pfd., left 6.65% on common, to cover the 4% div. This is largest percentage earned on common since 1909, when there was a smaller amt. outstanding. Working capital on Dec. 31 was $7,297,908, an increase for the yr. of $27,000, the total being $1,687,908 in excess of the par value of the pfd. stocks and Co.'s Phila. mtg.

United Fruit Co.—EARNINGS improving. Co. should earn its div. requirements from freight, passenger and sugar business. World-wide shortage of shipping enables Co. to use its fleet to great advantage.

Western Pacific.—CONFERENCES and negotiations are expected to continue in hope of arriving at a plan which will be approved by the Denver & Rio Grande directors and which the Banker's comm., representing Blair & Co., Wm. A. Read and William Salomon & Co., will feel warranted in recommending to Western Pacific bondholders.

Bonds for the Small Investor

There is a very great need in this country of more intensive cultivation of the small bondholder. The mass of the people ought to hold our corporation bonds, and not our stocks. The stocks can better afford to be in the hands of the wealthier classes, who can stand sudden changes and suspended payments of dividends. The bonds should represent almost solely savings, and the increment of fixed income. This education of the public at large to bonds can best be carried on by giving the investor opportunity to subscribe for small denominations. The syndicate that offers bonds only in $1,000 units sets up a barrier between itself and the small investor, who is really the backbone of the investment structure.—*New York Mail.*

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.

Railroads	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1908.	1909.	1910.	1911.	1912.	1913.	1914.	Present price.	Earnings last fisc. year on present price.	
Seaboard Air Line Ry. pfd.	0	0	....	....	....	7.6	3.7	7.3	6.9	32	21.6	Paid 3% last fisc. yr.
Southern pfd.	0	0	0.7	6.0	9.6	11.1	11.3	11.8	8.1	43	18.8	Last div. passed.
Twin City Rapid Tran. com	6	6.3	8.3	9.9	10.9	11.0	11.3	13.0	12.8	96	13.3	
Kansas City Southern com	0	0	2.6	3.4	2.2	2.7	0.2	2.7	2.9	22	13.2	
Chesapeake & Ohio	†	0	4.4	6.4	10.0	5.1	6.8	5.2	4.7	40	11.7	$15,000,000 earnings to go into property by 1917.
Union Pacific com	8	6.7	16.2	19.1	19.2	16.6	13.8	15.1	13.2	119	11.1	Ex-rights 30¼% July 20, 1914.
Atlantic Coast Line	5	5.1	5.6	9.4	12.0	12.8	12.1	12.0	10.7	99	10.8	Dividend reduced from 7%.
Brooklyn Rapid Transit	6	6.9	4.1	4.2	5.6	6.8	8.3	9.2	8.7	87	10.0	Subways will doubtless enlarge earnings eventually.
Lehigh Valley com	10	7.6	19.2*	15.4	23.0	16.5	13.2	16.9	12.5	132	9.5	
Reading com	8	5.6	12.7	13.2	16.1	13.8	12.5	22.7	13.4	142	9.5	Incl. betterments suit filed against Jersey Cen.
Canadian Pacific	10	6.4	10.6	8.6	16.0	17.3	19.6	19.6	14.5	157	9.2	Div. 7% R. R., 3% land sales.
Southern Pacific	6	7.3	7.4	10.2	13.0	9.6	7.9	9.8	7.5	82	9.1	Gov. contesting ownership of Cen. Pac.
Norfolk & Western com	6	6.1	7.1	8.7	11.6	8.9	9.9	10.6	8.9	99	9.0	Controlled by Penna.
Louisville & Nashville	5	4.5	7.5	14.3	17.3	14.2	15.9	12.7	9.3	112	8.3	Contr. by Atlantic C. Line. Div. reduced from 7%.
Atchison com	6	6.3	7.7	12.1	8.9	9.3	8.2	9.5	7.4	95	7.8	
Northern Pacific com	7	6.9	12.8	10.7	9.0	8.2	7.9	8.7	7.9	101	7.8	Large equities in lands and C., B. & Q.
Chic., Mil. & St. Paul com.	5	5.9	9.5	7.2	8.0	7.1	1.6	8.6	6.3	85	7.4	Now includes Puget Sound.
N. Y. Cent. & Hudson R.	5	6.1	5.1	7.7	6.0	5.7	6.2	5.9	6.0	82	7.3	Now consolidated with Lake Shore.
Great Northern pfd	7	6.1	7.1	8.3	8.5	8.3	10.3	11.0	8.2	114	7.2	Equities, 1914 earnings on pres. cap. stock.
Chicago Gt. Western pfd.	0	0	....	....	1.2	1.9	0.4	2.8	2.0	28	7.1	
Minn., St. P. & S. S. M. com	7	6.4	8.4	8.8	15.7	5.3	11.1	14.7	7.8	109	7.1	Pfd. and com. share above 7%. Contr. by Can. Pac.
Illinois Central	5	4.8	8.4	7.4	7.1	10.3	3.2	6.0	7.4	105	7.0	Div. reduced from 7%.
Del., Lack. & Western	20	4.9	40.8	52.8	35.4	31.8	33.2	32.0	28.3	407	7.0	
Delaware & Hudson	9	6.2	12.4	12.2	12.5	12.3	13.0	14.5	10.1*	145	7.0	
Baltimore & Ohio	5	7.7	5.1	7.1	8.9	6.9	7.6	7.2	4.5	65	6.9	Large block of B. & O. stk held by U. P. distributed.
Buff., Roch. & Pittsb. com.	4	4.4	6.2	6.3	7.3	8.0	8.4	10.2	6.0	90	6.7	Div. recently reduced from 6%.
Pennsylvania R. R.	6	5.8	9.0	11.0	9.3	8.6	9.3	8.9	7.0*	104	6.7	Divs. pd. since 1856.
Chicago & Northwest'n com	7	5.7	11.2	11.4	7.7	8.0	7.1	9.6	7.9	123	6.4	Pfd. and com. share above 7%.
N. Y., Ontario & Western.	0	0	2.6	2.3	2.3	2.0	0.8	2.1	1.1	22	5.0	
St. Louis S. W. pfd.	0	0	1.8	2.9	4.1	6.1	8.2	9.4	1.7	35	4.9	Div. recently passed.
Pitts., C. C. & St. L. com.	0	0	7.2	9.8	6.1	7.0	10.9	—2.0	3.0*	72	4.2	Pfd. and com. share above 5%. Contr. by Penna.
Erie 1st pfd.	0	0	—3.4	6.1	12.1	11.2	7.0	15.3	1.4	33	4.2	Entitled to 4%.
Mo., Kansas & Tex. pfd.	0	0	6.1	7.2	8.0	13.6	0.1	17.8	0.4	31	1.3	
Wisconsin Central com.	0	0	—0.6	0	2.5	4.3	0.3	4.0	0.4	33	1.2	Leased to M., St. P. & S. S. M. (Can. Pac. system)
Missouri Pacific	0	0	3.7	1.3	3.3	6.3	2.4	1.9	0.1	11	0.9	Extended one year $30,000,000 notes due June 1, 1914.
Colorado & Southern com.	0	0	4.8	4.9	7.3	5.2	2.6	3.2	0.2	24	0	Controlled by C. B. & Q. (Hill management.)
N. Y., N. H. & Hartford.	0	0	5.4	7.4	10.3	7.1	8.5	5.0	0	45	0	Govt. breaking up its control of subsidiaries.

† 1% declared in Nov., 1914, from earnings.

* Estimated.

Earnings on the following are shown before deduction of interest payable on Western Pacific bonds:

Denver & Rio Grande pfd.	0	0	7.7	6.6	8.3	4.7	2.0	4.2	2.8	10	28.0	Contr. and finances W. Pac., which doesn't earn fixed charges.

Industrials	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1908.	1909.	1910.	1911.	1912.	1913.	1914.	Present price.	Earnings last fisc. year on present price.	
General Motors com.	0	0	....	....	....	15.7	17.3	38.8	37.5	89	42.1	1911 earnings 10 mos. only.
Bethlehem Steel pfd.	7	6.8	2.4	5.3	13.4	13.6	13.1	34.4	....	103	33.4	Earned 1st half 1914 about 15%.
American Steel Foundries.	2	8.0	0.3	0.1	6.1	—1.5	4.6	6.1	....	25	24.2	1911 earnings are 17 mos.
Distillers' Securities	0	0	1.5	2.2	2.3	3.1	1.5	1.2	2.3	10	23.0	Holds majority U. S. Ind. Alcohol.
U. S. Realty & Improvem't	4	10.5	7.7	9.2	9.7	9.4	8.3	9.2	8.2	38	21.6	Controls Fuller Construction Co.
S. S. Kresge com.	6	5.8	....	....	....	....	8.7	14.7	20.4	104	19.6	
Nat. Enam. & Stamp. com.	0	0	—2.1	1.1	1.0	1.1	—1.6	1.9	....	10	19.0	1912 earnings 18 mos.
Central Leather com.	3	8.8	1.3	6.3	—2.1	—5.1	8.6	5.2	6.4	34	18.8	
Tennessee Copper (par $25)	12	11.1	6.5	6.8	8.9	8.1	21.9	19.3	....	$27	17.9	Income chiefly from sulphuric acid.
Va.-Carolina Chemical com.	0	0	3.7	7.1	10.4	3.1	3.3	0.5	3.4	20	17.0	Owns Southern Cotton Oil Co. Pfd. div. passed.
Westinghouse Electric com.	4	6.1	....	....	7.6	12.3	6.2	8.2	10.8	66	16.4	Has written off large investment in foreign Westinghouse Cos.
U. S. Rubber com.	6	11.1	0.2	4.0	7.8	2.2	6.3	8.7	....	54	16.1	1913 figured on present cap. stock.
Inter. Harvester (N.J.) com	5	5.4	7.8	17.8	14.8	14.2	15.2	14.5	....	92	15.8	Gov. suit pending. 1913 earns. new company.
Am. Agricul. Chem. com.	4	8.2	6.1	7.5	10.4	9.1	7.3	5.2	7.7	49	15.7	
Inter. Paper pfd.	2	6.1	7.3	2.7	4.5	5.3	5.4	4.4	5.1	33	15.4	6% Ann. div. in arrears 27%.
Amer. Car & Foundry com	2	5.0	23.8	2.6	6.6	7.1	2.5	4.1	5.5	40	13.7	$600,000 set aside for com. divs., equals 2% on stk.
Am. Smelting & Refin. com	4	6.6	7.0	7.7	7.1	9.1	10.1	7.5	....	61	12.3	Smelting and Smelters Sec. now consolidated.
Am. Malt Corporation pfd.	2	6.7	10.6	6.2	3.0	8.8	9.3	4.6	3.7	30	12.3	Divs. in arrears 24%.
Ray Con. Copper (par $10)	0	0	....	....	....	2.1	13.3	18.5	....	$16	11.6	Div. passed.
American Can pfd.	7	7.6	6.6	6.7	6.8	7.1	14.2	9.7	10.7	92	11.6	Arrears 8¾%. Govt. suit pending.
Corn Products pfd.	5	7.6	8.5	8.2	6.9	7.0	6.8	7.6	....	66	11.5	Divs. in arrears about 16%.
Woolworth, F. W., com.	6	6.4	....	....	....	....	8.9	11.0	10.7	94	11.4	
Chino Copper (par $5)	40	5.7	....	....	....	....	50.6	77.5	....	$35	11.1	Divs. reduced.
North American	5	7.6	4.8	6.0	6.2	6.2	7.2	6.7	....	66	11.1	Controls St. Ry. & Elec. Light Cos.
Sears, Roebuck com.	7	3.5	4.5	18.4	20.5	17.0	19.3	21.2	21.3	202	10.9	Recently dec. 50% stock div.
Utah Copper (par $10)	30	5.9	23.3	29.5	34.6	39.7	53.5	53.9	....	$51	10.8	
Amalgamated Copper	2	3.8	4.3	2.4	3.9	3.9	4.3	5.8	....	53	10.8	Controls Anaconda and other Butte and Mex. mines.
Pittsburgh Coal pfd.	5	5.4	1.7	3.0	7.2	5.1	7.5	10.1	....	93	10.7	Divs. in arrears 42%.
National Biscuit com.	7	5.8	8.1	7.4	7.7	9.8	10.0	9.6	11.7	120	9.7	Fisc. yr. ends Jan. 31.
General Electric	8	5.7	10.2	7.4	16.7	14.5	16.2	12.9	....	139	9.3	
Sloss-Sheffield com.	0	0	4.9	6.6	2.0	—0.6	0.8	2.1	....	25	8.4	
American Tel. & Tel.	8	6.7	10.1	9.0	10.4	10.0	9.3	9.6	....	119	8.1	Large equities in sub. co. earns.
Pacific Mail	0	0	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	1.5	19	7.9	Contr. by So. Pac. Panama Canal should inc. earns.
General Chemical	6	3.4	4.5	14.4	15.6	15.5	14.4	13.4	13.3	175	7.6	5% stock div. 1912; 5% extra cash 1914.
People's Gas Light & Coke.	8	6.8	8.4	8.9	9.0	8.9	7.5	8.2	8.6	118	7.3	
National Lead com.	3	6.1	5.8	6.2	4.3	3.6	3.8	3.6	....	49	7.3	
Union Bag & Paper pfd.	0	0	7.4	6.2	5.4	5.5	5.3	1.6	1.7	24	7.1	Divs. in arrears. Fiscal yr. ends Jan. 31.
American Linseed pfd.	0	0	....	5.8	4.5	2.6	—2.8	3.0	1.8	26	6.9	
Am. Locomotive com.	0	0	11.1	—3.1	1.3	7.3	0.5	17.7	1.3	21	6.2	Mfr. of autos discontinued.
Railway Steel Spring com.	0	0	—1.3	5.3	6.0	0.3	5.8	1.3	....	21	6.2	2% div. May, 1913.
Consolidated Gas (N. Y.)	6	5.2	4.9	6.7	7.4	7.6	7.5	7.2	7.1	116	6.1	Sub. cos. have large undistributed surpluses.
Am. Beet Sugar com.	0	0	4.2	7.0	7.3	10.9	13.5	3.9	2.3	38	6.0	Helped by war.
Pullman	8	5.3	9.8	10.9	11.6	9.3	8.7	9.3	9.0	151	6.0	Abnormal amounts chgd. to depreciation.
Republic Iron & Steel pfd.	0	0	9.8	8.1	11.7	7.8	8.9	12.4	4.1	74	5.5	Arrears 8¾%.
Western Union	4	6.4	1.7	5.8	5.7	5.4	4.0	3.2	....	63	5.1	Am. Tel. & Tel. has relinquished control.
Am. Cotton Oil com.	0	0	3.2	10.4	6.8	1.2	6.5	3.4	2.0	45	4.4	Controls 17 sub. companies.
Am. Hide & Leather pfd.	0	0	—0.1	11.2	—5.6	0.8	3.2	3.6	0.8	25	3.2	
Am. Sugar Refining com.	7	6.9	7.5	3.9	3.8	9.6	8.7	1.9	....	102	1.9	Helped by war. Sold most of beet sugar stockholdings.
Colorado Fuel & Iron.	0	0	0.4	2.1	4.0	3.2	4.8	4.6	—3.1	24	0.0	Strike affected co. badly. Pfd. in arrears about 48%.
American Woolen com.	0	0	—3.9	5.2	2.2	2.1	2.1	—19.9	....	16	0.0	Affected by new tariff. Helped by war.
Pressed Steel Car com.	0	0	—5.8	7.7	5.5	0.1	0.8	10.5	0.1	28	0.0	Paid 3% div. from 1913 earns.
United States Steel com.	0	0	4.0	10.5	12.3	5.9	5.7	11.1	—0.3	42	0.0	U. S. Govt. suit pending.

PUBLIC UTILITIES

Annual Reports for 1914 Generally Favorable

PUBLIC utility securities are still manifesting a firm tone. The annual reports of various gas electric companies for 1914 have recently made their appearance. Early in the war nearly all companies adopted a policy of severe retrenchment and discontinued plans for expansion. In view of the tremendous uncertainties involved in the world-conflict, such action was unquestionably justified.

Now that the effect of the war can be more accurately gauged, however, many companies are abandoning to a considerable extent this policy of retrenchment and are again planning expansion to meet the needs of growing population and the future expansion of business. This is taken as an encouraging sign as indicating returning confidence among business men generally.

It is notably the fact that public utilities have been less influenced by the war than any other general class of securities. War or no war, the people must use gas and electricity and ride on the street-cars.

It would not be far wrong to say that public utilities in general earned about one per cent. more on their stock in 1914 than in 1913. There were a few exceptions, but the statement indicates the broad trend of the earnings. It is safe to say that no other class of stocks made so good a showing and investors have not failed to note that fact and to lend support to these securities accordingly.

* * *

THE jitney bus is still in the lime-light in the public utility field. At the moment it is attracting more attention than any other feature of the situation. And it is not unnatural that the automobile men see a wonderful future for the jitney, while the street railway men think its influence will be only temporary.

John N. Willys, of the Willys-Overland Co., thinks that manufacturers of low and medium priced cars will soon cater to the jitney trade by producing special types of cars adapted to the business. He is quoted as follows:

"The tremendous political influence exerted by the electric street railway interests may succeed for a short period of time in retarding the sudden and great development of the automobile transportation property known as the jitney bus, but it will never be able to suppress the new and popular means of locomotion.

"The public in this country is just awakening to the possibilities and advantages of motor transportation.

"In London the fight between the motor bus and electric street car has been fought out, with the bus the victor, and conditions here are in a way much more favorable for the jitney bus than for the London motor bus over there."

* * *

IN Chicago half a dozen firms, including the powerful Ford Company, have entered into negotiations with the commissioner of public works for permission to operate bus lines. Ford proposes a line of small buses seating eighteen passengers, the driver to collect the fares.

The attitude of street railway men has been that the jitneys were a temporary fad and that high cost of operating an automobile would preclude carrying passengers for a nickel except for short distances or under exceptional conditions.

It is probable, as in most such cases, that both sides are partly right and partly wrong. The street railway men's argument would certainly apply to the ordinary automobile, weighing 2,000 or 3,000 pounds and carrying seven passengers or fewer; but if companies like the Ford and Overland turn out special types of vehicles adapted to jitney use, costs can be brought down materially and the street railways may find that they are up against a new and permanent competition. It is a point that owners of street railway stocks should not lose sight of.

Notes on Public Utilities

American Tel. & Tel.—CONVERSION PRIVILEGE. Convertible 4½% bonds dated March 1, 1913, may between March 1, 1914, and March 1, 1925, be converted into common stocks of the Co. with cash adjustment of current or accrued interest and divs., as well as any balance of principal between bonds and the stock into which it is converted. In connection with the conversion privilege it is pointed out that the stock is non-taxable, while the bonds are taxable, and furthermore the bonds pay only 4½% against 8% for the stock. For conversion purposes a $100 bond is equivalent to ⅚ of a share of stock, which will yield $6.67 a year against $4.50 for the bonds.

Detroit United Ry.—NET EARNINGS for 1914 were $3,537,344 and compared with $4,029,598 for prev. yr. Co. spent $910,597 for improvements. The bal. sheet as of Dec. 31 last shows cash $82,686; current assets, $829,223, and a profit and loss surplus of $6,245,007.

Interborough Rapid Transit.—DIV. INCREASE possible according to independent estimate. 15% was paid in fiscal yr. ended June 30, 1914. Upon Int. Rapid Transit divs. rest the anticipated payments of Interborough-Metropolitan Pfd.

Kings County Elec. Light & Power.—REPORT for yr. ended Dec. 31 shows that Co. more than held its own, in spite of business depression. 8,000 new customers were secured in 1914. Gro. income was $6,316,889; net, $3,051,029; surplus for divs., $1,284,581. Per cent. earned on stock 9.65, comparing with 8.86% in 1913, and 9.03% in 1912. Plant and property, as shown by balance sheet, has substantially increased.

Laclede Gas Light.—REPORT for yr. ended Dec. 31 shows gro. earnings of $4,629,689, an increase over prev. yr. of $96,197, and making a record. Net income was $2,384,097, an increase of $57,843. The increase in net was principally offset by an increase of $47,725 in int. so that the bal. for divs. was $1,002,447, an increase over the prev. yr. of $3,847. After paying 5% on the $2,500,000 pfd., the bal. remaining for the common was equal to 8.2% on that issue, being a comfortable margin over the 7% rate which is paid in divs. Co. has declared regular quar. div. of 1¾% on the common stock, payable March 15.

Mexican Tel. & Tel.—PROPERTY taken over by Carranza Government. The trouble is declared by an official to be due to labor agitators. It is understood that necessary measures have been taken through Washington to protect property.

Mass. Electric Co.—$3,500,000 NOTE issue authorized by shareholders at special meeting. Trustees also authorized to sell any 1st pfd. shares of Bay State Street Ry. Co. which they may acquire during current yr. The chairman, in reply to a question concerning the 4% div. on Mass. Elec. pfd., said that the sale of the additional Bay State pfd. would not jeopardize the Mass. Elec. pfd. div. provided the money is wisely spent.

Mackay Cos.—ANNUAL REPORT yr. ended Feb. 1, 1915, shows divs. for subsidiary Cos. of $4,246,014, comparing with $4,202,412 for prev. yr. Surplus $116,409, comparing with $102,805. Clar. H. Mackay says: "Business depression has affected Co. and rigid economies in operating expenses were necessary. Divs. have been earned and as in prev. yrs. reconstruction has been charged to operating expenses. Readjustment of rates may not be undertaken immediately, but the contingency can arise in near future; if so, an increase will be justifiable. There have been no important additions to cable system during the yr. On our land line system substantial extensions have been made to new cities and towns. $12,000,000 realized about 5 yrs. ago from sale of Amer. Tel. & Tel. stock remains intact, in the highest class of securities, and is ready for emergency land extensions. Co. has no debts. Reg. quarterly div. of 1¼% on common and 1% on pfd. are declared payable April 1 to stock of record March 10.

Mexican Light & Power Co.—INTEREST DEFERRED. Official notice has been given of deferring of semi-annual int. of 2½% on $11,469,000 1st. mtg. bonds which was due Feb. 1. Co. is unable to secure funds from Mexico City to meet these payments, and until settled conditions obtain in Mexico it is not probable that int. will be met. Representations are being made through both British and U. S. Governments to protect interests of security holders.

Montana Power Co.—$6,000,000 BONDS to be issued according to understanding of recent decision of directors. This is part of the total of $75,000,000 issue of 1st and ref. 5's. These bonds are now quoted in the market at around 92. Proceeds will supply funds for financial needs during current yr. permitting completion of developments at Great Falls & Thompson Falls and also to furnish power to the Chicago, Milwaukee & St. Paul Ry. Earnings are reported as highly satisfactory. Current divs., it is stated, are more than earned and revenues should show substantial increase as soon as power connections now under contract are linked up with the system. Reg. quar. divs. declared, 1¾% on pfd. and ½ of 1% on common, both payable April 1 to stock of record March 16.

Mountain States Tel. & Tel.—RIGHT TO SUBSCRIBE to $1,286,700 new stock at par. In proportion of one new for 25 old is offered to shareholders of record Feb. 15. Right to subscribe expires 3 p. m. March 15. Stock must be paid for in full on or before April 1.

Marconi Wireless Tel. Co. of Canada.—NO. DIVS. in early prospect, judging from annual report. Cash on hand is $20,000 less than a yr. ago. Accounts receivable $15,000 greater. Sundry accts. payable 3 times what they were a yr. ago, and surplus acct. of $21,000 now replaced by deficit of abt. same amt. Nevertheless, profit on yr.'s operations is placed at $7,158. Co. now operates 40 stations, for which yrly. subsidies amounting to $93,830 are received.

New York Tel. Co.—BALANCE SHEET as of Dec. 31, 1914, values plant at $127,775,878, as compared with $117,621,002 in 1913; cash and deposits, $2,741,778, comparing with $1,987,669 in 1913; bills and accts. receiv., $15,390,628, comparing with $24,126,781 prev. yr.; other items practically unchanged; total assets, $253,799,404, comparing with $249,757,495. Although franchises, rights and privileges owned are assessed and taxed as property, the New York City franchise alone being assessed at $38,878,949, the Co. has not included such rights in assets shown. Property is being inventoried and appraised, which work will be completed June 30, 1915. Rate adjustments should then be possible with satisfaction both to Co. and to public. On Dec. 31, 1914, there were 1,165,905 stations in the system directly operated by the Co. and local connecting Cos., an increase during the year of 72,140. Including associated and connecting Cos., there were in service in the whole system at end of the yr. 2,050,603 stations, an increase of 119,198.

New England Tel. & Tel. Co.—ANNUAL STATEMENT for yr. ended Dec. 31, 1914, shows balance of $125,067 above divs. Owing to changes in accounting under Interstate Com. Com. ruling no comparison with prev. yrs. is possible. Operating revenues are given as $17,583,878, net $4,802,158. Number of owned stations 464,074, an increase for the yr. of 37,711. Plant is valued at $66,221,019, investment securities $4,221,131. Pres. Spaulding says: "European war caused marked decrease in amt. of business handled, and brought about restriction in plans for future development. It is hoped that adoption of a conservative program will enable Co. to meet all service requirements without undertaking unwise risks. During the yr. there was no permanent financing, all money being obtained on short-term or demand notes. There was a small increase in the capital stock.

New York Railways. — INCREASED INT. RATE expected on 5% adjustment income bonds of the Co. For 1st 6 mos. of 1914, 1,288% was paid. If 2¼% is declared for 2nd half of yr. total will be approximately 3½%. Outlook for earnings considered more favorable, and an increase for Feb. probable as compared with corresponding mo. of yr. prev.

Peoples Gas Light & Coke.—EARNED 11.43% on stock before depreciation and 8.55% after. Gro. receipts were $16,800,538, a decrease of $25,000 from prev. yr. Net cash assets Dec. 31 were $5,932,039, as compared with $6,371,912 at end of prev yr. During past 10 yrs. gro. receipts have increased $4,800,000. Net during same period increased $1,100,000.

Philadelphia Co.—EARNINGS of subsidiaries now show increases. For Dec. the consolidated gro. receipts made a gain of $16,490 over same mo. of 1913. Gro. of the Oil & Gas Dept. were $42,735 better than during corresponding period of 1913. Duquesne Light also is steadily improving in net earnings. With extensions and improvements for which money has been provided by the sale of notes, Duquesne Light should continue to show larger earnings and at the same time decrease its operating ratio.

Twin City Rapid Transit.—REPORT for yr. ended Dec. 31 showing an increase in gro. of $429,000, or approximately 5%, affirms the position of this Co. in the list of depression-proof concerns. Earnings on common for 1914 were 8%; in 1913, 7.65%; in 1912, 7.45%.

United Railways of St. Louis.—GRO. EARNINGS from all sources for 1914 were $12,450,924, a decrease of $251,720. Net earnings after operating expenses, taxes and maintenance and including other income, were $3,126,296, a decrease of $433,407. The more liberal transfer system ordered by the Circuit Court resulted in an increase of 2.69% in the number of transfers used. Jitney bus competition instituted recently is not expected to assume serious proportions.

United Gas & Elec. Corp.—NOTES SOLD Co. has placed $5,500,000 3-yr. 6% gold notes with Drexel & Co., of Phila., $500,000 to be paid on or before July 1, 1916, and $500,000 each 6 mos. thereafter, until $2,000,000 shall have been paid, leaving a balance of $3,500,000 maturing April 1, 1918. These notes will be secured by $7,650,000 30-yr. collateral trust 6% bonds of the Co., being part of a present issue of $10,000,000 of these bonds. It is understood the holders of the 3-yr. 5% notes which mature April 1, 1915, will be given an opportunity to exchange the old notes for the new ones on an attractive basis.

Western Power Co.—READJUSTMENT COMMITTEE has notified stockholders that 90.7% of stock of Co. has been deposited under readjustment plan and latter is declared operative. In order to afford stockholders who have not already deposited their stock under plan a further opportunity to do so and to make the action of the stockholders as nearly unanimous as possible, the committee has determined to receive additional deposit of stock up to and including March 15 next, after which date no further deposits will be received except upon such terms and conditions as the committee may in its discretion impose.

MINING, OIL AND CURB SECURITIES

Limiting Your Risks in Mining Stock Speculation

By ARTHUR PRILL

Second Article

DISTRIBUTION of Risk is the foundation of success in market operations with mining stocks as well as in practical mining. In the first article of this series we caught a glimpse of that faint shadow which represents an investor's chances when he bets on mining Fakes, or on mineral Prospects whether the latter are frankly stated to be such or whether they are giddily painted to match the gilt and silver prospectus of the "operator."

A mine Development offers risk enough to any one who prefers green paper stamped by Uncle Sam to the similar article in somewhat larger style stamped according to the directions of the secretary of "Assessment Tunnel Inc." or of "Reorganization Consummated Mining & Milling." The legitimate Development has passed safely through the stage of Prospect; each evening as the underground superintendent climbs out of the shaft he feels that the day's work has brought him one shift nearer to being the boss of a real mine. His men have drilled a few feet further along the vein whose contents, sampled carefully by a professional sampler or by assayer or engineer, have been proven by retort and cupel to contain commercially profitable ore for hundreds of feet already passed.

At this stage all energies are bent to ascertain beyond reasonable doubt that enough good rock exists to warrant construction of a reduction plant. One earmark of the Faking management is payment of dividends before a sufficient body of ore has been blocked out to assure the future of the property. A practical illustration of a good Prospect being sweated in the curb market's steam room is Jumbo Extension. The latter, aside from other troubles, possesses no adequate shaft or equipment to maintain steady production even if an enduring and satisfactory orebody be opened up, yet the money for which the timbers creak and the miserable headframe whines is posted for payment to stockholders as "Dividends"—unless another Goldfield miracle happens "Undertaker's Expenses" is a more fitting appellation.

Fortunately for many a man who has been carried off his financial balance by the golden expectations of this camp, realization has in some instances been equal to the dreams of market letter writers. For the good name of genuine mining which always has to bear the blame for the manipulative frauds of curb brokerage campaigns, it is to be hoped that the Velvet Claim will by court adjudication, through consolidation of conflicting interests or by some other arrangement, become fully recognized as the property at least in part of those people who have recently been led to buy Jumbo Extension stock and that the orebody will develop sufficiently to make Mining, not gouging, worth while for some strong interest. At the time of this writing another rope has been thrown around Jumbo Extension stockholders: the Booth Mining Co. is said to claim apex rights on the orebodies in the Velvet and Poleverde claims and a padlock has been hung on

The Magazine of Wall Street accepts no mining stock advertising, nor does it take the advertisements of any broker who features issues which we consider highly speculative, or who in our opinion might foist undesirable stocks upon investors. We strongly recommend that all trading in curb and mining as well as listed securities be done through houses whose names appear either on the New York Stock Exchange membership list or in the pages of The Magazine of Wall Street.

Jumbo's ore bins and shaft house for the present.

When an unproved mining property stands under the shadow of ownership conflict, is hampered by insufficient capital, is managed by men whose statements as to conditions cannot be given credence by those acquainted with the situation—when numberless circulars are sent out, each calling someone connected with the stock or with its sale a manipulator, a liar or a crook, then none but financial fools will descend to the foul sump though its bed were lined with gold. I make no prophecy as to whether the stock will rise or not, but I insist on the principle that those who want to make money in mining speculation over a series of operations and years must deal only in clean issues.

For an example of what I mean we need not wander so very many miles through the sage brush: when the management of the Tonopah Mining Company of Nevada learned that a recent acquisition was being used to foster a Faker's boom they issued (Dec. 10, 1914) the following statement:

"The officers of the Tonopah Mining Co. state that the articles appearing in certain newspapers, credited to the officials of the Tonopah Mining Co. stating in substance that there are not less than 23 large veins of gold-bearing ore on the Panama property and that their plans include the construction of 38 miles of railroad and the construction of a milling plant that will have an initial capacity of not less than 1,000 and probably 1,500 tons per day with the estimated profits as in the articles referred to, did not emanate from them and are unwarranted."

The Tonopah Mining Company's management never built a sandpile of temporary dividend hopes as foundation for market quotations. Although the ground had paid huge profits to the early leasers previous to incorporation in 1901, four years of hard development work were allowed to pass before the first distribution was made to stockholders. In 1905, however, when the property was fully equipped with railway, water system, supplies, a hundred-stamp mill and such organization as is essential to success in mining as in any other business, a dividend career was inaugurated and this has now run through ten years with payments aggregating over twelve million dollars.

This mining company is in more than one way a good criterion by which to judge others. The next time that you are offered the privilege of putting your money into a new promotion, probably capitalized at a million dollars or more, ask what it is that you are really offered in return for such par value promoter's estimate.

For just one million dollars authorized and outstanding stock the balance sheet of Tonopah Mining shows that it safeguards its holders' interests by:

Reading Co. Gen. Mtg. 4% Bonds	$350,000
Southern Pacific Co. San Francisco Terminal First Mtg. 4% Bonds	225,000
Public Service Corp. of N. J. Gen. Mtg. 5% Bonds	100,000
Kansas City, Ft. Scott & Memphis Ry. Refunding Mtg. 4% Bonds	100,000
Portland Ry., Light & Power Co. Refunding and First Mtg. 5% Bonds	75,000
Market Street El. Pass. Ry. Co. Guaranteed First Mtg. 4% Bonds	60,000
Phila. Rapid Transit Co. Equipmt. 5% Series "B" Bonds	50,000
Pennsylvania Railroad Co. Conv. 3½% Bonds	50,000
Great Northern Ry. Co., and Northern Pacific Ry. Co., Joint (C., B. & Q.) 4% Bonds	50,000
Jamestown, Franklin & Clearfield R. R. Co. First Mtg. Guaranteed 4% Bonds	50,000
Pacific Power Co. First Mtg. 6% Bonds	40,000
Lake Shore & Michigan Southern Ry. 4% Bonds	25,000
New York Central & Hudson Riv. R. R. 4½% Notes	25,000

Other assets that don't bring tears to weeping widow's eyes are:

Loans on Collateral	$515,000.00
Certificates of Deposit	25,000.00
Sundry investments	113,642.33
Loans to subsidiary companies	257,262.43
Selby Smelting & Lead Co., mill products	223,365.49
Cash	251,017.38
Absorption in mill	40,000.00
Storehouse supplies	116,846.82
Ore dump at Tonopah	248,349.33
Ore at Desert Mill	56,831.39
Accrued interest on loans and bonds	16,639.51
Prepaid insurance	7,125.61

Total assets, 1913, were—$4,697,747; 1914—$4,924,225. Liabilities in addition to capital and surplus were, for the same periods—$53,418 and $75,014, or practically negligible.

Ore reserves at the time of the last available report were valued at approximately $2,500,000; this is $2.50 per share. Gross production for the last five years has averaged well over $3,000,000 annually or $3.00 per share. Net earnings for the same five years have averaged better than $1,700,000 annually or $1.70 per share.

Evidently that old hole in the ground is worth something still, but the man-

agement realizes that even the best of mines is constantly being worked nearer to its end although that end may be far away. So a method of distributing risk was inaugurated and Tonopah Mining has become also a holding company. The first subsidiary was the Tonopah Placers Co., organized to work 4,600 acres of proven gold placer ground in Colorado. Results from this property for the quarter ending November 30, 1914, were net earnings of $101,982; 83¼ per cent. of its stock is owned by Tonopah Mining.

Later a two-year lease was taken on the Mizpah Extension Company's property at Tonopah with option to purchase at the end of the lease.

The Eden Mining Co., of whose capitalization Tonopah Mining owns 60 per cent. will work ground aggregating nine square miles in Nicaragua. The orebody here is reported on good authority to be of very large extent.

The company's field staff has further been active in other camps ascertaining the value of properties offered for sale.

It is apparent that quick assets guarantee about one-third of the market price of Tonopah Mining Company stock, another third is covered by slow but definite assets and the last third, from the miner's point of view, can be conservatively considered as in sight.

Here we have the ideal mining investment: the main property at Tonopah is a mine in the full sense of the word. It possesses a long record of earnings well maintained, rich dividends paid by a conservative management and ore reserves which, making due allowance for the intricacies of the district's geology, point to a good life ahead. Present yield to the speculator—15 per cent. Under option is a prospect whose full examination will be made at comparatively small expense. Two subsidiary properties that may be classed as developments are practically certain to yield well over a long term of years although they have not yet been brought to the stage of steady and assured output commensurate with their estimated ore contents. The company is not dependent on the course of any one metal market as are most of our best copper mines.

Many a safe deposit vault is crammed with railway, industrial and public utility bonds and stocks that are backed by less concrete assets than are offered by Tonopah Mining stock, yet owners of the former sometimes look down on mining securities in general as worthless. The fault lies with that part of the public—and how few have always remained outside of these ranks—which wants something for nothing or demands several hundred per cent. on its "flier" in mines. Look at the curb list of prices as published in curb brokers' circulars: from one cent to fifty cents run the majority of quotations; countless stocks for which not half a cent a hundred is bid lie in dusty drawers and at the bottom of trunks not worth opening.

Our letter files are crowded with inquiries about hopeless and dead issues. You who encourage the existence of such stocks by buying them are to blame, not the curb broker. You could easily force him to give you honest goods just as your wife forces the grocer to give her fresh butter—when she gets anything that smells she throws it back in the seller's face, and that is what you ought to do with Blue Bull, C. O. D. Con., Atlanta, Jumbo Extension, Kewanas, Oro, Silver Pick, Yellow Tiger, Great Bend, Sandstorm-Kendall, MacNamara, Rescue-Eula, Bailey, Beaver, Peterson Lake, Tularosa, Hargraves, Dome Extension, Foley-O'Brien, Ohio-Copper, Tularosa, Jupiter and a host of others from Black Jack to Grandma—our space is limited, but the ink used in cheap stock promotion would choke the Calumet & Hecla mine every twenty-four hours.

Not but what some of these properties will eventually become mines and will pay big dividends as well as show enormous profits over present prices; most of them would under good management be worthily entitled Prospects, but when they are hawked about under false colors and pressed for sale as "Mines" they become for practical investment purposes mere fakes. If a mail-order art dealer sends you in return for a two-dollar greenback a two-cent stamp as an engraving of George Washington, you call the transaction a swindle although the stamp be a perfectly good two-cent stamp. That is the principle by which most cheap mining stocks must be classed as swindles or Fakes; they are sold, not for what

they are, but under false pretences.

Why should a prospect with a limited amount of low grade ore in sight, without facilities to work what it has, and without cash to develop more, be capitalized at from one to five million dollars and the stock sold under the misrepresentation that such an issue is likely to earn big profits? Why should the small investor take so huge a risk? This is a risk without limit.

The speculator in the city has nothing on which to base opinion as to the value of a prospect except what the management chooses to tell him. When that management so arranges the cards that they must fall against the outsider, the latter ought to have sense enough to realize that he will be given only such news as favors the game, all reports sent out will have the same aim—get as much money out of the speculator as possible—get it, not out of ore, but quickly, out of wallets and savings accounts.

Therefore limit commitments as a rule to such mining issues as have proven their earning power. Wall Street is no place for a hog, and when you ask several hundred per cent. you class yourself into the swill trough. Since issues such as Chino, Utah Copper, Tennessee, Nevada Consolidated, Hollinger, Goldfield Consolidated, Tonopah Belmont, Coniagas, Kerr Lake or Nipissing, have made good and can be bought to yield from ten to fifteen per cent. a year, be satisfied with them. Betting even on "inside information" about untried properties is always playing with fire.

If you make your purchases in a time of money stringency or of financial timidity such as the present you will in two or three years get a handsome additional profit from the certain rise of such stocks on the quotation boards.

Even in speculating in the best class of mining stock there is some risk, but so there is in the dry goods business, and hard-working farmers have been known to fail. Further, by dividing units of about five hundred dollars among three such mining stocks as are mentioned last above, you distribute the legitimate risk. If you have only a few dollars and cannot wait, buy a few shares, five or ten, but buy them outright and next time you have a hundred dollars together buy into a different issue: if the first was copper, try a gold mine, then a silver producer. The chances are then large that in spite of occasional losses even here, you will make more money than if you bought railway or industrial securities.

If your gambling blood runs high and you cannot resist the inviting yelp of the curb pups, don't blame subsequent loss on "Mining"—you weren't doing any mining—you were just gambling among the sharks who are making a fat living off suckers like you.

The last article of this series will appear in an early issue.

Study Mining News If You Want Mining Profits

News Is One Thing—Curb Brokers' Advice Usually Something Else

By S. E. STANTON

TRYING to get something for nothing is the barren rock on which many small speculators drill away to no purpose, wasting both time and money. If you haven't the time and energy requisite for detailed study of the particular financial field which you wish to enter, reflect that if the game were easy, if it involved no work and little capital someone else would have bought up all the winning chances long ago.

The first desideratum in any business is knowledge. Unless you possess a definite idea of what sort of a ledge you are driving at, and develop a system that shall permit steady progress in spite of obstacles, your holes will miss fire and you'll find that you're running your drift in a circle. Then you will be tempted to howl that mining is a bad proposition and that those engaged in it are worse.

If you live in New York City—tell me, do you go down to the East Side when you want a suit of clothes—do you buy a hand-me-down from one of the sidewalk hawkers in Cherry street? If you live in San Francisco and feel like passing an

evening in pleasant company do you go to the Barbary Coast? If you do so and find that the clothes will not keep their shape a week do you blame the American clothing trade or the wool grower? If, after dancing in a Pacific Street dive, you wake up next morning in an alley and find your money gone can you fix primary responsibility on anyone but yourself?

This fundamental factor can not be insisted upon too strongly: Speculation in mining stocks can be made successful only if you learn to choose the comparatively safe issues and so to distribute your risk that in spite of losses your whole line will, over a period of years, show such profit as is commensurate with the risk. There is no sure thing in mining. Copper, silver, lead and zinc mines are all subject to metal market fluctuations which can be foretold only approximately and only after a careful study of conditions. A gold mine is to most of us the greatest attraction of all, there is something about the sheen of the yellow metal that draws us irresistibly (and the promoter knows it), yet few things are quite so unreliable as the continuation of a gold-quartz ore chute's position and content. The average reader of THE MAGAZINE OF WALL STREET cannot investigate original sources of information on the many mines whose stocks are publicly quoted but, if he finds a department such as we are developing here he must at least be able to use his judgment in choosing what will be best suited to his needs.

Subdivide that compartment of your brain which you can devote to the mining business by—first, the principal metal groups. Take up the copper situation as a whole; see whether consumers are purchasing as much as they should or less, in view of future needs, or perhaps they are loading up in expectation of higher prices to come. Either tendency is certain to exert an influence on the prices of copper stocks. No one factor alone however is governing; in the case just cited the future course of the metal market would depend to a notable extent on the percentage of actual to potential output at the mouth of the shaft or in the maw of the steam shovel.

This morning I received a letter from a Tennessee Copper stockholder asking me to explain why in one issue of this magazine the output of the company was given at 20,000,000 pounds a year and in another issue at 500,000,000 pounds a year. He quoted Goldberg—"There seems to be something wrong." In answering I pointed out that aside from the fact that rate of output may fluctuate widely between different programs of curtailment or production, he had forgotten to note output of "what"—sulphuric acid or copper metal. While the two substances possess a connection at the point of origin they differ so essentially that complete oversight is the only excuse for such misconception as this correspondent displayed; particularly vital is the difference between Tennessee Copper's two classes of output at this moment as regards market value in proportion to cost of production.

A speculator who buys and holds stock in ignorance of the factors governing the earning power of the issue must consider himself as a mere gambler, and if he loses he should practice the gambler's self-control—Smile!

Having studied the general conditions governing prices of any particular metal, (the value of gold is practically constant and need not be considered in this regard), the second factor to be taken into account is the situation at each camp. The price of any active stock is quickly moved by news which vitally affects another mine in the same district. All speculative tendencies are apt to vary with the rapidity of jostled quicksilver and no stocks are so mobile as those of the curb because these can be swayed by a comparatively small amount of capital. Specific issues are in many instances the "baby" of a particular brokerage house, that is, such a firm was instrumental in organizing the company and floating the stock upon its clients. The fact may not be generally known and sometimes arrangements are so carefully made that the location of control might be difficult to prove, but by means of interlaced corporations and office-boy directors it is feasible to make the stock certificate of a faking mining company whose prospect is located in Tonopah, management in Pittsburgh and stockselling organization in Boston, look like a regenerated issue of the ten commandments

coming from Mount Oddie, via some Moses of Milk street to save the wandering dollar whose own mother won't know where the boy will be by night.

How to distinguish between this yellow hope and a real mine is your problem. This series of articles, which will be continued in coming issues of THE MAGAZINE OF WALL STREET, *will help you solve the difficulty.*

The Metal Situation—News From the Camps

Mining Industry Gives Signs of Awakening as Metal Markets Gain Strength

PRESENT conditions in the metal markets were impossible to foresee six months ago. For similar reasons it would be rash to prophesy in what situation our lead, copper, silver and spelter producers will find themselves in another six months. Embargoes, war zones and blockades of various sorts have made the shipment of all such materials a matter of very great risk. Only the immediate future can be estimated: the outlook is for continued strength.

Copper is more firm as compared with the previous week, and in many quarters further marking-up of the price is expected. Lake has touched 15¼ cents and electrolytic 14¾ cents. While estimates of recent production and consumption would show that the world possesses a huge surplus of this metal, market indications lead to a contrary view. Judging from price movements copper supplies are scarce. The practically steady marking-up policy of the agencies may justly be regarded with some suspicion. February exports which ran between 25,000,000 and 30,000,000 pounds, are the smallest in any month since war broke out in Europe. In conjunction with the record of domestic deliveries and expanding production, an increase in surplus stocks is indicated aggregating between 15,000,000 and 20,000,000 pounds. Submarine activities of the German navy and requisitioning of ships by the British Admiralty has made it increasingly difficult to secure cargo space for foreign shipment but as sellers consider that a reduction in price would bring no increase in buying, they see no reason for a lowering of quotations. When the reports for February are available they will probably show a considerable increase in copper production.

Spelter.—A shortage is threatened; price has already advanced to 10 cents a pound, a gain of more than 100 per cent within a few months. Supplies in large quantities are becoming increasingly difficult to obtain at any price. American producers for the first time in many years are at liberty to make the most of their ore bodies. The world's zinc market had been so largely controlled by German firms by means of long-time contracts with the great Australian zinc mines, that American operators were unable to mark up a price beyond that at which Germans stood ready to place spelter on our shores. Cost of production in this country is on the average about

This review goes fully into the situation at the various mining districts in order that our readers may train themselves to study the camps where metals are mined, as opposed to watching localities where "mining" stocks are advertised. At the same time it must be remembered that unproved prospects lying near producers in good districts are usually incorporated, and the so-called "securities" are offered to the public. As criterion by which to judge the standing of any given issue, use the complete news of this Department. If the property is not mentioned in this or recent issues, ask the MAGAZINE OF WALL STREET Advisory Service.

We do not claim to keep track of every mine and oil well on this continent, but if one of them is not mentioned in these columns you may gather one of three things:

(1) Recent developments affecting market values are so unimportant that owing to lack of space we cannot speak of them.

(2) The stock is not on the market.

(3) The MAGAZINE OF WALL STREET prefers not to mention the issue or in any way to encourage its purchase by the general public, however brilliant the outlook may be for insiders. In this third category fall many "mines in the making" whose future may offer great profits to persons in direct personal touch with the situation. When these become producers they will be brought to the attention of our readers.

This Department is not devoted to muck-raking, but aims to give carefully sifted news.

5 cents a pound, although there are a few points at which the 4-cent figure is attained. Seven-cent spelter is, from the point of view of mining profits, considered about equal to 16-cent copper. Present spelter prices permit extraordinary profits and these are likely to endure for the term of European hostilities. Whether a permanently higher price level may be established after the declaration of peace remains to be seen.

Lead.—The price has been advanced from 3.80 to 3.90 cents a pound by the American Smelting & Refining Co. This is due to a renewal of buying from foreign and domestic sources. Four cents a pound has been asked by independent producers for April delivery and one independent is reported to have made sales for March shipment on the basis of 3.95 cents per pound, New York.

Silver.—A somewhat firmer undertone is noted in this market, it having been announced that strong interests were ready to take over considerable quantities of the metal under 90-day options at a little over 48 cents per ounce. The transaction was however not completed. Exports of silver from San Francisco to China have been resumed. London has been marking up prices slightly. This is considered due in part to the reduced labor supply at Canadian mines owing to general enlistment of young men in those districts. Unsettlement in Mexico is a factor contributing to dearth of supply.

THE Mining Industry throughout the country is awakening to renewed life. Development work is being pushed so that if metal markets improve as expected and a big call for output appears, the producers will be ready to meet demands.

Butte is preparing for an increase at mines and smelters, stimulated not only by better copper prices but by the abnormal although highly satisfactory advance in spelter. The Butte & Superior, Elm Orlu and Timber Butte companies are turning out as much ore as their mills can treat, and some of the old mines of the district, such as the Alice (closed since 1903) have been reopened for their zinc contents which formerly merely augmented returns from the silver for which the mines were then worked. Leasers are developing various claims, and new equipment being installed should soon have an effect on ore shipments.

Lake Superior.—At Houghton and throughout the Lake Superior district practically every copper producer is busy. The additional volume of metal will not, however, reach the market until April.

Colorado seethes under a wave of optimism born of the continued output of high-grade ore from the Cresson mine at Cripple Creek. Operators from one end of the state to the other are putting forth such efforts as conditions for raising capital allow. Some important discoveries have also been recently made in the Leadville district.

Utah.—A plan is reported in progress for the construction of a tunnel which shall drain all the mines of the Tintic district; the work, it is estimated, will cost $1,000,000. Ore shipments for last week reported, totaled 2,500 tons valued at $65,000. This is a reduction and is due to heavy snowstorms which cut off water supplies and blocked ore routes. Shippers for the week were: Centennial-Eureka, 19 cars; Iron Blossom, 11 cars; Eagle & Blue Bell, 9 cars; Chief Cons., 5 cars; Eureka Hill, 2 cars—total, 50 cars.

Park City sent out in the week 2,045 tons valued at $80,000; this is the largest amount for several months and includes 1,737,940 lbs. from the Silver King Coalition; 1,208,300 lbs. from the Daly Judge; 492,800 from the Silver King Cons., and 650,000 from the Daly West.

Cobalt mines will considerably curtail output during the next three months, as the light rainfall last year results in a shortage of power. Every mill will be shut one week in four. Shipments for the last week reported were 444 tons, coming from: the Mining Corporation of Canada, Cobalt Lake, Dominion Reduction, Coniagas, Trethewey, Temiskaming, Kerr Lake, Caribou-Cobalt and Crown Reserve.

Nevada.—Goldfield stocks are in the same hands as for years past, hence there is no improvement in the means used to make a dollar whether out of speculators or from any new ore possibility. The bitterest of fights is being waged for control of the ground which until recently was considered Jumbo Extension property. As far as can be seen the strongest interests here aim at consolidation of various struggling claim ownerships, and progress is apparently being made in that direction. Stocks contributing to such consolidation will doubtless show big fluctuations, but whichever way the majority of gamblers bet on the situation, that is the way the cards will Not fall.

Tonopah mines, for the last week reported, sent to mills ore as follows: Tonopah Belmont, 3,547 tons; Extension, 1,778; West End, 956; Jim Butler, 1,100; Merger, 150—total, 10,081 tons, valued at $207,418 gross.

Mining and Curb Digest

Ahmeek MILL will not start 4 additional heads as announced; two lie under heavy snow and two are not yet ready. Amount of rock milled will be increased. Present output is at rate of 64,000 tons a month.

Alaska Gold. — OFFICIAL INSPECTION. C. M. MacNeill, a director of Alaska Gold Mines Co., will meet Pres. Chas. Hayden, Vice-Pres. D. C. Jackling, and Director Sherwood Aldrich of that Co. in San Francisco in a few days, and sail with the party thence for Juneau, Alaska, to inspect the property. This will be the first visit of officials to the mine since the beginning of mill operations early in Feb.

Allouez Co.—NO DIVIDEND ACTION taken by directors at recent meeting. Physical and financial situation considered good. With Lake Copper at 15c., Co. is earning $3 per share under limited production program.

Alta Consolidated.—Ore awaiting shipment now amounts to 79 mine cars. Development work is being pushed as new payrock is in virgin territory.

Amalgamated Copper.— USEFULNESS GONE with sale of United Metal Selling Co. Amal. now merely a holding Co., whose activities will be confined mainly to bookkeeping, collecting divs. and int. and paying former divs. to its own shareholders.

American Zinc, Lead & Smelting Co.—FINANCIAL REQUIREMENTS taken care of, according to statement of directors. Co. has $539,000 bonds due May 1, and a floating debt of $1,100,000. It is understood that notes will be extended and funds provided by two Boston banks. A profit from year's work of $1,500,000 is expected by well informed interests, the high price of spelter being a favorable factor. Additional mills have been put into commission in Missouri and the Wisconsin mines' output has been increased. Kansas smelters have also been put into operation.

Anaconda Copper Mining Co.—NOTES SOLD—Co. has placed $16,000,000 two yr. 5% notes dated Mar. 1. Proceeds to be used in purchase of control of United Metals Selling Co., whose $5,000,000 stock is owned by Amalgamated. Within past yr. Anaconda has assumed heavy obligations: in taking over International Smelting & Ref. Co. an indebtedness of $9,000,000 was incurred; construction of a smelting plant at Miami cost $2,500,000.

Arizona Commercial.—SHIPMENTS for week ended Feb. 20 are reported at 440 tons, of which 120 tons was smelting ore averaging 8% copper. Concentrating ore has recently run 5% copper. Gross earnings for Feb. will probably be abt. $20,000, leaving a net of approximately $11,000.

Arizona Copper Co.—NET EARNINGS for fiscal yr. ended Sept. 30, 1914, were $1,155,000 according to preliminary report and compare with $1,688,250 in prev. 12 mos. Surplus forward was $136,420, comparing with $56,970 prev. yr.

Atlanta Mines Co.—SHIPMENT of a carload of ore has been made. This is the first since resumption of deep level work. Development continues. Many rumors are current as to consolidation of this Co. with others in Goldfield, but no authoritative statement has been made.

Aurora Consolidated. — NEW EQUIPMENT being installed for this Co., which is controlled by the Goldfield Cons. 500 tons a day will be treated beginning next April. Gold contents of ore are low but susceptible to treatment by inexpensive processes.

Balaklava Copper Co. — SHIPMENTS RESUMED to Tacoma smelters and regular consignments expected for future. Only high grade ore is now receiving attention and no attempt to produce on large scale is expected until European war ends.

Barnes-King Development Co.—REPORT for yr. ended Dec. 31, 1914, shows net profits of $150,419. Pres. Goodale states that it is likely the power line of Montana Power Co. will be constructed to the Piegan-Gloster and in readiness to furnish power by May 1, and that when these properties are in producing stage the Co. probably will be in position to consider payment of dividends. He qualifies this statement, however, by stating the desirability of the Co.'s having a substantial surplus in the event it desires to acquire additional property.

Blue Bell (Goldfield).—LEASE for 3 yrs. has been given on this property to H. Lind.

British Columbia Copper Co.—ANNUAL MEETING will be held March 9. Diamond drilling has proved a large tonnage of ore at Princess and a concentrator will be built there. A railway will also be constructed from Princeton to Princess and Voigt.

Butte & Superior Co.—REPORT for 4th quarter of 1914 shows net value of zinc and lead concentrates as $314,769, comparing with $1,020,836 for prev. quarter. Surplus was $130,537, comparing with $499,136. The low tonnage was due to shut-down between Oct. 17 and Dec. 17. Cleaning up and restocking of storage tanks, elevator pits, bins, etc., so affect mill recovery figures that these cannot be considered comparatively. The shaft was also re-timbered and mill remodelled. In the 2nd ten day period of Feb. a new record was made by treatment of 1,456 tons of ore a day. Extraction is now 93%, as compared with 89.14% in the 3rd quar. of 1914. 1914 earnings were $5.37 a share.

Caledonia Mining Co. — DIVIDEND CHECKS mailed last month were for 2c. a share, and aggregated $52,100. 2c. a share will be paid each mo. during the next quarter. Mines reported in excellent condition; ore blocked out will maintain present production for 2 yrs.

Calumet & Arizona.—HOATSON SHAFT reopened for active work after shutdown since Aug. last.

Calumet & Hecla.—SECOND LARGE SILVER SHIPMENT ready to go forward. 350 men are employed on construction and other work at mine and mill preparatory to beginning rock shipments from White Pine to the new stamp mill in May.

Camp Bird.—REPORT for yr. ended June 30, 1914, shows profit on Camp Bird property of $437,848. To make a div. payment of $221,130, provide for income tax, losses on loan accounts, payments on new property, depreciation, etc., about $244,424 was apparently drawn from reserve. Ore reserves are estimated to contain $307,648 net.

Champion Copper Co.—FIRST DIVIDEND declared since Oct., 1913. Amount is $1 a share.

Consolidated Min. & Smeltg. Co. of Canada.—REPORT for yr. ended Sept. 30, 1914, shows net profits of $474,012 after writing off $193,149 for depreciation. Out of this 4 divs. aggregating $464,376 were paid. It is stated that development at the Rossland mines and also at the Sullivan group is encouraging.

Davis Daly Copper Co.—REPORT for yr. ended June 30, 1914, shows that ore shipped aggregated 52,198 tons, for which $268,178 was received. Expenditures were $108,020 in excess of all receipts. Since April, 1914, operations have been confined wholly to development and shaft-sinking. Report shows bal. of $258,850 in current assets, of which $171,591 is in unpaid assessments.

Dome Lake.—PRODUCED $11,000 in Jan.; a total of $19,580 since mill began operations. Doubling of mill capacity is proposed.

Dome Mines Co.—MILLED 23,220 tons of ore in Jan., recovering bullion to the value of $82,727.

East Butte. — IMPROVEMENTS at smelter will be completed in abt. 2 mos., doubling capacity of old plant to 1,000 tons. However, Co.'s mine was unable to supply even the former capacity of the mill, hence the situation is considered a confirmation of the report that North Butte will eventually be found in control of East Butte. This matter remains in doubt.

Franklin Mining Co.—STAMP MILL to be reopened in abt. 60 days. Tonnage should in short time reach 500 tons a day. Financial situation good.

Goldfield Cons.—DIVIDEND of 10c. a share payable Apr. 30 to stockholders of record Mar. 31. Usual production is being maintained at abt. 960 tons a day at mill.

Goldfield Merger Mines Co.—SUIT. See under Jumbo Extension.

Greene-Cananea Copper Co.—DATE OF RESUMPTION indefinitely postponed, as management has decided to wait until Mexican situation is more settled.

Hancock Consolidated. — RESUMING OPERATIONS with abt. 250 men. No work had been done except pumping since beginning of European war.

Hollinger Gold Mines.—EARNINGS for 4 weeks ending Jan. 28 were $150,986, which added to surplus from prev. yr. makes $1,277,729. Div. requirements for mo. were $120,000, leaving net surplus $1,157,729. Ore reserves at end of 1914 were $13,358,420.

Houghton Copper Co.—AUCTION SALE of Co.'s stock, upon which assessments Nos. 1 and 2 are unpaid, is re-ordered for March 9. There are about 9,000 shares of this stock. This is taken as an indication that work will be resumed early in spring.

Inspiration Cons. Copper Co. — PURCHASE of 10,000 shares of this Co.'s stock by Exploration Co., Ltd., of London, announced.

International Mines.—WARNING—The Mag. of Wall St. warns its readers that while Inter. Mines stock may be manipulated to show apparent rich speculative profits in the near future, to the accompaniment of glittering market letter announcements, the issue is a dangerous one for people who like to keep their money.

Isle Royale.—OUTPUT INCREASED to volume greater than it was before curtailment at outbreak of European war. Two additional shafts will be reopened this spring. Stamp mill re-building progressing rapidly; all enclosed now and machinery installation soon to begin.

Jim Butler Mng. Co.—REPORT for Jan. shows net profits of $18,033, comparing with $13,339 for preceding month.

Jumbo Extension Mng. Co.—SUIT reported to have been filed by Goldfield-Booth Mng. Co. against Jumbo Extension, to recover $900,000, representing value of ore mined by latter Co. and which Booth claims was taken from one of its veins. The vein in dispute was worked in the Velvet claim, the latter having been bought from the Goldfield Merger Mng. Co. by Jumbo. Booth declares that its own property carries the apex of this vein. It is reported that Goldfield Merger receivership litigation will be postponed for a hearing April 10 in order that Merger, Booth and Jumbo Extension managements may gain time to agree on terms of consolidation. Mine reported shut down on U. S. District Court order as result of Booth Co. complaint of alleged apex rights infringed.

Lake Copper Co.—RESUMPTION LIKELY if copper holds steady at present prices, but operations must be on a considerably larger scale than in the past in order to bring cost of work to profitable level.

Mass. Cons. Mng. Co.—INCREASE OF OUTPUT amounting to 25% looked for by end of Apr. Reserves are being piled up at the mine.

MacIntyre Mines.—BULLION RECOVERED in Jan. valued at $55,581 on ore averaging $7 a ton, with costs of $4.65 a ton. A rumor is current that control is under option to a Montreal syndicate.

Michigan Utah Mng. Co.—REORGANIZATION in view, according to Pres. Norman W. Haire. Court will be asked for a decree authorizing sale of property.

Montezuma Copper Co.—OPERATIONS RESUMED. Enough fuel on hand for a month.

Mohawk Mng. Co.—SURPLUS of $300,000 was brought forward as result of last year's operations. Net approximated $431,000, from which 1 div. of $1 a share on $100,000 was paid. Cost of production was about 2½c. a lb., the best in the Co.'s history.

Nevada Douglas.—SPECIAL MEETING was called for March 4 to effect reorganization. Co. is to be succeeded by Nevada Douglas Cons. Copper Co., stock assessable, capitalization remaining the same, 1,000,000 shares, par $5. Moore Mng. Co. to be taken over; latter has debts amounting to $57,000. Nevada Douglas assessment to be 10c. a share.

Nevada Wonder Mng. Co.—REPORT for yr. ended Sept. 30, 1914, shows total production of 48,570 tons of ore of average value of $15.52 per ton, of which 93.2% was recovered at the mill. Total receipts were $664,862, profit balance $223,042; div. payments $281,636 resulted in a decrease of $58,594 in cash on hand.

New Jersey Zinc Co.—LARGEST PRODUCER of spelter in the country, turning out last yr. 100,000 tons of spelter out of a total of 349,000 tons in the whole United States. Stock is quoted at $550 to $590 a share. Has maintained a div. rate of $20 a share, which with extras totaled $50 in 1913.

North Butte.—STRIKE OF ORE on 2800 ft. level on Edith May vein is said to be richest ever known in mine. Rumors of taking over East Butte Copper Co. continue but are denied by officials.

Old Dominion Copper.—PUMPING 11,000,000 gallons of water a day, owing to recent extraordinary rainfall. Co. is still producing copper at low record figures. Jan. output was 1,745,000 lbs. of copper, compared with 2, 797,000 lbs. for same mo. in 1914.

Oroville Dredging Co.—REPORT for yr. ended July 31, 1914, shows 2,897,557 cubic yards material excavated. Net bullion returns were $251,599. Net profit $116,804 before depreciation. Balance to surplus after all charges, $73,903. Costs were 6.4c. per cubic yd.

Osceola Consolidated.—PRODUCTION for Feb. was 1,500,000 lbs. refined copper. In March this should be increased by 200,000 lbs.

Prince Cons. Mng. Co.—ORE SHIPMENTS are being increased each week. Tonnage was abt. 200 tons a day a yr. ago, now 400 tons a day and is expected to reach 500 tons.

Quincy Mng. Co.—DIVIDEND considered probable early in Mar. Demand for high grade copper has enabled this Co. recently to secure better than 15c. a lb. for its output.

Ray Cons. Copper Co.—COSTS show continued reduction in spite of curtailment. This is considered by competent authority as one of the cheapest stocks on the copper list and one entitled to sell higher in near future.

Rea Mines Leasing Co.—DIVIDEND of 6% is first declared by this Co. Operation of mine is by leasing Co. and original shareholders have very small interest.

Seven Troughs Coalition. — PRODUCTION for Jan. was $34,000. Feb. output expected to be considerably increased. 2½c. a share div. declared payable Mar. 1 to stockholders of record Feb. 20.

Silver King Cons. Mng. Co.—SUIT reported to have been filed by James B. Murdoch for stock estimated at $8,500 and for participation in divs? amounting to $64,962. It is alleged that fraud was practised upon the stockholders of the Silver King Cons. Mng. Co. of Wyoming when the Co. was reorganized under laws of Utah.

Silver Pick Cons.—SHAFT SINKING now going on at rate of 5 ft. a day. Supt. declares contact will be reached within 60 days, when exploration will be begun.

South Lake Mng. Co.—STOCK OFFERING of 10,000 shares reported likely in near future. This would obviate necessity of assessment. Plan for consolidation with Lake considered dropped.

Temiskaming & Hudson Bay Mng. Co.—REPORT for yr. ended Aug. 31, 1914, shows div. payment of $91,132 for the holding Co. but it is stated that no divs. were received from the operating Co. because of the purchase by that Co. of control of the Dome Lake Mine at Porcupine. Report of operating Co. shows total income of $198,082 and total expenditure of $145,522, leaving profit at $52,560.

Tennessee Copper Co.—OUTPUT for Jan. was 1,250,000 lbs. copper with normal sulphuric acid output, which is not stated.

Tonopah Belmont Dev. Co.—DIVIDEND

of 12½c. a share payable Apr. 1 to stockholders of record Mar. 15. This is 23rd quar. div. of Belmont but is only ½ of regular amt. paid for some time prev. to depression in price of silver caused by European war. Profits for Jan. were $115,159 net.

Tonopah Merger.—CONDITION reported satisfactory. Ore being stoped and shipped from three different levels.

Tonopah Mng. Co.—JANUARY PROFITS were net $56,875. Average value per ton, $14.

United Verde Copper Co.—REPORT for 1914 shows operations yielded $5,186,909 as compared with $6,171,116 in 1913. New smelter has not yet been completed but production could begin within 60 days. Plant will have normal capacity of 5,000,000 lbs. a mo.

Utah Apex Mng. Co.—EARNED $69,914 surplus after all charges in Dec. quarter. Much exploratory work has been done. Co. hopes for improvement in lead prices.

Utah Copper.—OPERATED at 2/3 capacity in mines and mills. Future volume of production will, according to Pres. MacNeil, be governed wholly by copper metal prices.

West End Cons.—SHIPPED 23 bars of bullion as result of mill clean-up for 1st half of Feb. Developments reported satisfactory.

White Pine Copper Co.—OPERATION expected to begin May 1. About $1,000,000 worth of copper rock is estimated to lie on the stock piles.

Winona.—CARRYING 600,000 lbs. of refined copper in storage. Waiting for opportunity to sell at better prices. Lessees are working property and keeping it in good condition during this period of comparative inactivity.

Wolverine Copper Mng. Co.—DIVIDEND of $4 a share declared payable Apr. 1. Last prev. div. was $2 in Oct., 1914. Present payment will call for $240,000.

Yellow Tiger Mng. Co.—EQUIPMENT destroyed or damaged by fire several mos. ago now completely replaced. Rapid progress expected by management. New 100 H. P. elec. motor will drive 8 drill air compressor.

Mining, Oil and Curb Department Inquiries

Inquiries about Mininig, Oil and Curb stocks should be addressed to the Mining Editor of this magazine. They should be written on a separate sheet of paper, that is, not combined with questions about other classes of securities such as public utilities or railways and industrials listed on the New York Stock Exchange. A stamped self-addressed envelope must accompany all inquiries.

In the case of any except the active mining issues, questions should be accompanied by a statement of the location of the company's property, its principal officers and the State under whose laws it is incorporated. There are at least thirty "Eureka" mines in the United States, twenty "Mammoths," twenty-five "Bonanzas," and we have never counted the number of "Hidden Treasures"—their treasures have mostly remained hidden.

The service of this, as of other departments of the MAGAZINE OF WALL STREET, is free to readers.

Braden Copper Mines Co.

C. D. F.—According to report of December, 1914, this company has lowered its copper production cost to about 7½c. at the mine, or approximately 8½c. landed in market. Normal production previous to the war was about 2,000,000 lbs. monthly. At that time all products were shipped to Europe and directed in part to Germany. This outlet is now cut off, and some shipments are being made to New York, where the copper will be held subject to resumption of ocean transportation. The company is not likely to embark upon a curtailment programme unless forced to it by local conditions in Chile. The moratorium existent in Chile has presented formidable obstacles, but the company has been able to pay its bills by drawing on commercial houses there for currency, and giving in exchange sight drafts on New York banking houses. The mill capacity is being increased to a 10,000-ton basis. No income account or balance sheet has as yet been made public, nor have any dividends been paid so far. Recent quotations for the stock have been: 1912—low, 4⅝; high, 10¼; 1913—low, 5¼; high, 10⅝; 1914—low, 5⅛; high, 8⅝. This stock should prove a satisfactory speculation for those who can wait until the property is on a full production basis under normal copper market conditions.

The Life of a Mine.

When ore in a mine is exhausted, are certificates worthless? How long do some mines produce ore?—H. V.

When ore in a mine is exhausted, and the corporation owns no other mineral ground or property of value, the certificates of the company are of course valueless. It has, however, become the policy of well managed mining companies to look far enough into the future to prevent such utter decline of property values. Usually before the ore deposit of the present mine is exhausted, the management seeks to buy into a new property whose development will permit continuation at least of hopes if not of dividends.

Your question as to how long mines pro-

duce ore is a wide one. There are deposits which have been worked from the earliest ages of history, and bid fair to continue valuable for generations to come. It often occurs that a mine is considered worked out, is allowed to lie idle for years, and then a new management, using a little energy and cash, discovers further ore bodies in the old ground. The life of a very few classes of mines can be accurately calculated. Among these are iron, coal and porphyry copper mines. If, for example, one of the latter is known to contain eighty million tons of developed ore, while the mill and smelter can reduce four million tons a year, it will evidently take twenty years in order to exhaust this deposit.

U. S. Smelting.

G. M.—U. S. Smelting preferred and common stocks are both in a strong position and we see no reason why you should not continue to hold them. The preferred is one of the best of industrial preferred stocks, and its dividends seem to be secure. The common has earned as follows during the last six years: 1908, 6.5%; 1909, 8.2%; 1910, 4.5%; 1911, 6.5%; 1912, 13.1%; 1913, 10.8%. One of the best features about the earnings on the common is the fact that the percentage earned has shown a tendency to increase over a period of years. In 1910 and 1911 earnings were smaller, owing to poor business conditions, but with the return of a fair degree of prosperity in 1912, earnings at once doubled, and 1913 gave excellent results. The company is doing a good business, considering adverse conditions under which all companies are now laboring, and is well managed.

Tennessee Copper Co.

F. M.—The Tennessee Copper Co.'s property is located at Copper Hill, Tenn., and comprises 2,080 acres mineral land and 11,000 acres miscellaneous lands. Mining was begun here in 1850. The ground is extensively developed. During 1914 new hoisting apparatus was installed at a cost of between $200,000 and $300,000. According to Pres. James Phillips, Jr., the completion of present construction plans will permit a copper output of about 20,000,000 lbs. annually by October, 1915. Life of ore bodies is placed at twenty-five years. Gross earnings for 1913 were $3,605,583; net profits $1,158,503, which indicates earnings on common stock, 21.75%. The curtailment program inaugurated August 11th last reduced the metal output about 33%. Dividends paid were $2.50 in 1912, $1.50 on January 20, 1913, 75c. quarterly from June 20, 1913, to January 2, 1915, inclusive. Price of the stock varied in 1913 from 26¼ to 39½; in 1914 from 24¼ to 36¾; in January, 1915, from 30½ to 33⅛.

The company now specializes on the production of sulphuric acid, the profits from which department are larger than dividend requirements. We regard the stock as a satisfactory speculation.

The Personal Factors in Speculation.
South Lake—Chief Consolidated.

I have some shares of South Lake Copper. Would you advise selling? I have also some shares of Chief Consolidated. Would you hold for a raise?—A. H. K.

The best course to pursue in regard to your mining stock holdings is difficult to judge unless you acquaint us with the personal factors in your case. That is, how many shares of these companies do you hold; what proportion does the cost price of these stocks bear to the total of your funds invested in safe and in speculative issues? If you are in no way dependent on the profit and loss account of your holdings in South Lake Copper and Chief Consolidated, having them, you might as well keep them.

South Lake Copper is a mine in the making. While the geological problems of the district in which the mine is located have not yet been fully worked out, the expectation is not unreasonable that South Lake will strike the western extension of a rich amygdaloidal stratum first opened in the Lake mine. Whether intervening flexures will materially change the value of the copper bearing bed within the property of South Lake remains to be proved, and this is the risk which you take in holding the stock.

Chief Consolidated deserves the cognomen "mine," as it has produced considerable ore at a satisfactory profit. The management also is considered good. At the same time this property belongs in the class of mines whose future cannot be definitely ascertained. While the pay-chute on which work has so far progressed may be large enough to hold a profitable tonnage for years to come, it is also liable to peter out, or the contents may drop below the level of commercial profit. In all probability this stock will pay good dividends for some time to come, but we repeat, even the superintendent of the mine or the company's consulting engineer would be unable to guarantee results for any length of time.

Cheap Copper Stocks.

Kindly advise in what cheap copper stocks I could invest at this time.—E. R. E.

We cannot advise the purchase of "cheap" copper or other mining stocks. This would certainly not be investing but gambling. Unless you are directly connected with the mining business it would be well for you to place funds only in those properties which have a dividend record and show present values in sight, enabling them to continue dividends for some time to come. In coming issues of the MAGAZINE OF WALL STREET, the Mining Department will devote space to the most prominent opportunities for sound speculation in mining stocks.

Crude Petroleum Movement Small—Only Four Standard Oil Pipe Line Cos. Make Favorable Showing.

Reports from the Eastern fields show the smallest daily average crude petroleum movement in two years. Total runs for fields east of the Mississippi for January were 1,884,809 bbls., or a decrease of 96,000 bbls. Deliveries and shipments also show a decline. As a result, stocks held by the Eastern pipe lines gained 65,347 bbls. for the month. The Texas Panhandle field also shows a decline in runs for the month, the total being 6,549,000 bbls. Stocks in that field were 24,000 bbls. lower.

Among the Standard Oil group of pipe line Cos., only four made a favorable showing in their last available reports. These are National Transit, with a 29% gain in shipments over the corresponding month of 1914; Southern Pipe Line made an 18% gain; Southern Pennsylvania 12½%, and Illinois Pipe 23%. It is assumed that practically all the other companies fell behind in earnings as the volume of business done by them did not increase sufficiently to offset reduced pipe line rates, which went into effect last July. Canadian crude oil has been reduced 5c. a bbl. to $1.28.

The Standard Oil Co. of Cal., the Associated Oil Co., the Union Oil Co. and the Southern Pacific Railroad Co., together with 36 other corporations and individuals, have been made defendants in a suit filed at Los Angeles, Cal., by the U. S. Government, to recover oil lands valued at more than $100,000,000, in Kern county, Cal. These oil lands are said to have been illegally patented.

Notes From the Oil Fields

Atlantic Refining Co.—REPORT for 1914 a disappointment. Co. earned only 18% on stock. Profits were $940,741, which is about ¼ of the amt. earned in yr. previous and 1/5 of the 1912 figures. Nevertheless earnings for the last 12 mos. were probably somewhat better than appear on face of report, as Co. liquidated $1,500,000 of notes, increased its cash by $450,000, increased accts. receivable by $750,000 and reduced accts. payable by $900,000. Net quick assets at the close of 1914 were placed at $5,007,862, and this does not include oil inventories. Rumors of a stock div. are considered in well-informed quarters as without foundation.

California Petroleum.—REPORT for yr. ended Dec. 31, 1914, shows gro. $2,867,117, a decrease of $18,071; net, $2,241,470, an increase of $65,040. Surplus after divs., $212,542, an increase of $293,126. Total surplus to profit and loss $258,228, comparing with a deficit yr. prev. of $4,597. The surplus before divs. is equal to 1.42% on $14,877,005 common stock and compares with 1.95% earned on same stock prev. yr.

Magnolia Petroleum Co.—BOND OFFERING.—$500,000 1st mtg. gold 6's dated Jan. 1, 1912, due Jan. 1, 1937, are offered. Free from normal Federal income tax. Bonds are secured by 1st mtg. on all property, present and future, of Co. Total assets Dec. 31, 1914, are given as $20,248,954; a sinking fund retires 1% of the outstanding bonds annually. Price, par and accrued int. to yield 6%.

Mexican Petroleum.—MANIPULATED. Price movements most erratic, although Stock Exchange committee could find no evidence of infraction of trade rules. Pres. E. L. Doheny states that new wells on Co.'s property in Mexico has more than doubled available production and that Co. is in excellent physical condition, its tank steamers making full delivery on all contracts in the U. S.

Midwest Oil Co.—COURT DECISION. Commenting on Supreme Court decision in case of the Government against Mid-west Oil Co., an officer of the Co. says: "The suit was brought by the Government at request of Mid-West Oil Co., so that progress could be made in title matters. This decision directly affects 160 acres lying outside of the really valuable oil-producing area. As to the really valuable lands it is the contention of the owners that they were in their possession in process of development prior to withdrawal order, and are unaffected by this decision. The decision being unfavorable, the result is to require a more extended line of proof. While the result is disappointing, one valuable object has been attained, and that is the determination of how we may proceed toward final results in title matters."

Midwest Refining Co. — REPORT for period from Mar. 1, 1914, to Dec. 31, 1914, shows earnings from all sources $3,565,738; expenses, $2,381,389; net, $1,184,349; depreciation, $493,760; surplus, $690,589; prev. surplus, $47,736; total surplus, $738,385.

National Transit Co.—DIVIDEND REDUCED to 50c. or an 8% basis, comparing with prev. 12% rate.

Ohio Oil Co.—EXTRA DIVIDEND. Usual quar. $1.25 and an extra of $1.25 is payable March 20 to stock of record Feb. 26. Co. has cut price of Indiana Oil another 5c. to 78c.

Pure Oil Co.—NET for yr. ended Dec. 31, 1914, was $1,763,146, comparing with $1,186,636 in 1913. Gro. suffered on account of war conditions, as Co. owns and operates storage tank stations in Germany and Holland. Total assets are given as $11,-

119,069; liabilities $5,612,589; common stock outstanding Dec., 1914, was $4,535,245, or the same as yr. prev. 1914 divs. aggregated 10%, comparing with 20% in 1913. Pfd. stock outstanding at close of 1914 was $197,000, the Co. having redeemed $284,700 out of earnings during yr.

Shell Transport & Trading Co.—ACQUISITION of water front property below Portland, Ore., for $600,000 announced. A wharf, oil tanks and auxiliary structures will be built.

South Penn Oil Co.—REPORT for yr. ended Dec. 31, 1914, shows loss of $2,215,219, comparing with profits in 1913 of $6,637,102. Divs. paid amounted to $1,250,000. Deficit was $3,465,219, comparing with surplus of $5,137,102 in prev. yr. Co. says: "The loss showed resulted from sudden declines in market price, and in demand for crude oil which made necessary partial cessation of active production by Co. during the latter half of yr."

Standard Oil Co. of Cal.—ANNUAL STATEMENT for yr. 1914 shows net profits after deducting $2,713,061 for depreciation, of $10,058,338. Surplus after divs. $5,202,240, comparing with $14,892,741 in 1913 and $5,982,807 in 1912. Assets are stated as $97,298,283, comparing with $87,970,754 prev. yr. Earnings on stock for 1914 amount to 20.24%. Commenting on the effect on his Co. of the Supreme Court decision regarding oil land withdrawal order of Pres. Taft, official of Standard Oil Co. of Cal. says: "From time of publication of withdrawal order, Standard Oil Co. took the position that it should be strictly observed as an act of the Chief Executive. Therefore, no unpatented lands were leased or purchased which had not been developed before date of withdrawal. The decision will not affect the Co."

Union Oil Co. of Cal.—REPORT for yr. ended Dec. 31, 1914, shows net profits after all charges and deductions, $2,735,524, comparing with $2.526,231 in 1913. Sales for the yr. were in excess of $20,000,000 or slightly beyond 1913 figures. It is officially stated that a modification of the contract between Andrew Weir and R. Tilden Smith, who negotiated for control of Union Oil, will probably be necessary owing to conditions brought about by the war. Balance sheet contains item headed: "Subscriptions to Cap. Stock," amounting to $2,433,000. It is stated that this item refers to advances made by Messrs. Weir & Smith, under the contract with the Co. dated April 21, 1914, and for which the Co.'s acceptances were granted pending delivery of the stock.

Inquiries About Oil Stocks

Anglo-American Oil Co.

N. P.—This company owns a large number of tank steamers, wharves and oil tanks at Manchester, England. Was formerly the marketing company for the Standard Oil of New Jersey in the United Kingdom. Growth of company's trade has been enormous, especially in gasoline; imports of motor spirits in the first ten months of 1914 were 60% larger than in entire previous year. Co. has payroll of 5,000 in 600 distributing depots in British Islands. War has added impulse to the company's business, success being due to energetic efforts of management, who are understood to have gained the favor of the British War Department. The last available financial statement of the company shows that on December 31, 1912, working capital was $8,490,090, compared with $2,586,942 at the end of the preceding year. Dividends paid were 20% in 1912, 25% in 1913 and 20% in 1914. Until the management changes its policy of secrecy in regard to its financial situation, this stock, although apparently possessing high earning power with ample capital, good connections and excellent direction, must be considered as a speculation attractive only to those outsiders who are willing to take a blind chance.

Pierce Oil Co.

A. D. L.—Pierce Oil Co., incorporated June, 1913, to take over assets and business of Waters-Pierce Oil Co., established 1855, and of Pierce Fordyce Oil Association, established 1909, to take over business of Waters-Pierce Co. in Texas. Corporation produces, transports, refines and markets products. Previous to dissolution of the Standard Oil Co. the marketing business of the latter in the Southwestern States and Mexico was in the hands of the Pierce Oil organization; this gives the latter a strong position. 129,000 acres oil lands are owned in fee or lease, while contents are estimated to be sufficient for requirements of refineries for 25 years. Five modern refineries have a combined charging capacity of 26,500 barrels crude oil a day. Company's product is distributed in more than 17,000 cities and towns through 1,122 main distributing stations, nearly all of which are free-hold property owned by the company. Pierce Oil markets gasoline, naphtha, lubricating oils, greases, wax, cottonseed oil, linseed oil, turpetine, soap, oil lamps, stoves and all appliances and accessories for the use of petroleum. The latest available financial report is dated December 31, 1913, and shows for 12 months a balance available for interest, dividends, etc., amounting to $2,300,293. Mexican profits represent only one-third of this company's earnings, hence the troubles below the Rio Grande do not affect the major resources of Pierce Oil. No dividends have as yet been paid. Satisfactory reports of financial condition are not given out, hence we do not recommend this issue. It is a pure speculation.

Northern Pipe Line.

G. McN.—Northern Pipe Line owns a 525-mile trunk pipe line in Pennsylvania. Its traffic has had a steady growth, although it possesses no gathering lines. Its 1913 income was $707,205, an increase of $272,383 over the figures of the previous year. Profits, therefore, for 1913 may be figured as 17.68%. Book value of the stock during the period increased from $1.10 to $1.25 a share. The approximate range of prices for the issue was 85 to 170 in 1912, 90 to 130 in 1913 and 68 to 133 in 1914. It paid 5% dividends in 1912 and 10% each in 1913 and 1914. This issue is a good medium for speculation.

National Transit Co.

C. T. O.—National Transit owns 555 miles of trunk pipe line and 745 miles of gathering lines in Pennsylvania. It supplies the refineries at Olean, Pittsburgh and Franklin, receiving mid-continental oil at the Pennsylvania border from the Buckeye pipe line. At its great pumping station at Bear Creek, Pa., National Transit acts as transfer agent, switching Pennsylvania and Western oil off other trunk lines to the Atlantic Seaboard. At its great plant at Oil City, Pa., the company also manufactures gas engines, pumping machinery and other accessories of the pipe line business. This plant represents an investment of more than $2,000,000. The earnings statement for 1913 showed $2,315,556, an increase of $405,750 over the previous year. The surplus was $788,249, an increase of $405,749. The total assets for 1913 are given as $15,759,789. The company's financial position is considered very strong. The stock sold between 22 and 57 in 1912, 35 and 57 in 1913 and 27 and 49 in 1914. Dividends of 12% were paid in 1912, 1913 and 1914. This stock is a good speculation.

California Petroleum.

G. R.—California Petroleum is an overcapitalized corporation. It possesses good property, but whether or not it can earn an appreciable amount on its common stock is a matter of speculation. Under ordinary conditions the preferred should get its dividends.

Book Reviews

Poor's Analyses (First Series) and **Poor's Summary of Investment News** have just been issued. These two volumes are new and present in bound form the daily and weekly parts of Poor's Manual Service for the nine months ending December 31, 1914.

Poor's Analyses contains the operation of 41 corporations—railroad, public utility, and industrial—giving the facts in such manner that one may make estimates of the value of the securities. It includes also a special article: "Shall American Railway Credit Be Destroyed?"

Poor's Summary of Investment News is a reprint of the news items that appeared in the Daily Summary from April 1 to December 31, 1914, inclusive. These items were taken from a large number of financial and daily papers in the United States and Canada, and are presented in condensed form in alphabetical order for quick reference. It supplements the information in Poor's Manuals.

Both books are adapted to the needs of those requiring reference works with recent information.

Motor-Cycle Principles and the Light Car, with explanations of construction and operation, care and maintenance, and on location and remedy of trouble, by Roger B. Whitman, author of "Motor-Car Principles," "Gas-Engine Principles," etc. Illustrated. Cloth, 281 pages including index. (Appleton). For sale by The Magazine of Wall Street, price $1.60 postpaid.

In the motor cycle, the cycle car, the Ford car and others of similar construction the necessity of keeping down weight has led to considerable departures from ordinary standard automobile construction.

This book aims to explain the principles involved in the construction of these light vehicles. The 13 chapters discuss gas engine principles, engine power, engine parts, lubrication, carburetion, ignition, transmission, final drives, suspension, care of the engine, care of the ignition system, general care, and causes of trouble. The book is simply written, practical, and will undoubtedly be useful to owners of light self-propelling vehicles.

Metal Statistics 1915, published by the American Metal Market Company, 81 Fulton street, New York City. Cloth, 319 pages. This is a very convenient compilation of metal prices. Iron ore, coke, pig iron, ferro-manganese, steel products, scrap and the various metals, as copper, tin, lead, spelter, etc., are exhaustively treated from the statistical standpoint of prices, production, exports, imports, etc.

Wealth from the Soil, by C. C. Bowsfield, author of "Making the Farm Pay." 320 pages. For sale by The Magazine of Wall Street, price $1.15 postpaid.

Mr. Bowsfield shows the city man or woman how to invest profitably in land, how to select such property far from or near to the city dweller's ordinary haunts, and what to pay for it. Proper equipment and organization for money making are not forgotten. The book is intended to save amateurs from serious mistakes and gives practical and helpful views, avoiding extravagant claims.

TRADERS' DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

The Broker and His Client

What Your Monthly Statement Shows and Why—Interest Rates

By ROBERT L. SMITLEY

READERS of THE MAGAZINE OF WALL STREET ask the editors many questions relative to dealings with brokers.

Sometimes these questions are easily answered, in a general way, but more often they relate to specific matters which can only be determined by the broker and customer acting together. What one may decide as wrong, or a third may suggest a compromise. This interrelation between broker and client—with which this article deals—has only to do with the mechanism of the accounting department, and is outside of the department which opinionates the probable course of prices of a particular bond or stock.

Every man or woman can understand a monthly statement from a department store, but it is a surprising fact that few customers really understand the monthly statement of their accounts in a broker's office. This is partly the fault of the broker, who sometimes makes his statements too intricate, but for the most part it is the fault of the customer, who should know the reason for every figure appearing on his statement. The matter of interest figuring is especially confusing and, when a customer has operated on both the "long" and "short" sides of the market during the same month, he should demand from his broker that such accounts be separate and that a statement of each account should be sent to him, so that the interest charges are understandable.

Fixing the monthly rate of interest is a regular bone of contention between the customer and broker. During January, 1915, the call rate of money averaged about 3 per cent. and the customer who was charged 4½ per cent. considered that his broker was robbing him. This, however, was far from the case. The man who only paid 4½ per cent. was really fortunate. He did not take into consideration the fact that, to protect him, his broker had borrowed four, six, or twelve months time money averaging possibly 4¼ to 5 per cent. This time money must be averaged with the call—and the capital charge also—to determine the real average rate. So, before mentally or openly calling his broker a robber, the customer must figure in his average at least 50 per cent. of the broker's borrowings at the average time rate for the month.

There is still another element in interest charges on an account which every customer must take into consideration. What kind of securities does he carry in his account? If his account is long a greater proportion of "good rails," he will likely be charged from 1 per cent. to 1½ per cent. above the firm's average interest cost for the month. If he is carrying all industrials which banks will accept in loans, he must be charged a higher rate of interest than the other man. If he is carrying low-priced stocks—"pups," "cats" and mining shares, he must be satisfied to be charged at least 6 per cent. because the brokerage firm lends him the money itself. It cannot re-hypothecate such securities and the capital charge is always at least 6 per cent.

The average trader on margin does not realize the position of the broker in the matter of loans. Sometimes it is only the loan clerk or cashier of the firm who does appreciate the favor to the customer. There does not exist a large bank which will loan an individual cus-

tomer a few thousand dollars on poor security at even 6 per cent. unless that individual has an unearthly "pull." The broker, by combining a large number of small accounts is only able to get such accommodation, at call or time rate, from the bank, and yet most customers think that the broker should not take a fair profit in his interest charges!

The ordinary bank loan of the broker, with a bank—to assist in carrying customers' securities—is, unless otherwise specified, two-thirds rails and one-third industrials. If the broker's customers trade 50 per cent. in industrials, the broker must make a special series of loans "all industrial"—or 50 per cent. industrial—at a higher rate of interest. Such special loans are not quoted in the public prints and the average customer does not realize that he is costing his firm more money by trading in industrials.

A broker is just as much entitled to make a profit by interest charges as a bank is in discounting a note. In fact, the customer should never complain when he is charged from 1½ to 2 per cent. or more over the average interest rate, because a margin account costs much more in clerical expense and in risk. The commission is the same whether the customer pays outright for his purchase or holds it "on margin." The operation of trading on margin is an accommodation which entails much expense and risk and the interest profit of the broker is manifestly a legitimate one.

If a margin trader is carrying 200 Union Pacific, 400 Reading, 500 Steel and 100 Rubber, he can demand a fair rate for his interest charges. If he is carrying 500 Chino, 300 Braden, 200 Utah and 500 Ray, he must expect a heavier charge. If, however, the account is long 1,000 Dome Mines, 100 Diamond Match, 100 May Stores, 500 Marine and 100 Nipissing, he must not complain at a 6 per cent. charge in normal times and a 6 per cent. and 4 per cent. (or more) charge for carrying during the period of high money rates.

Traders who deal in spot commodities, such as cotton or sugar or coffee, must be willing to pay interest at a fair rate over the firm's cost of a "Commodity Loan." Bonds, while a good security, are discouraged in bank loans for two reasons: one is their bulkiness for handling; and the other is that in most cases the market is a narrow one. Bonds which are not listed on exchanges are never received with favor in bank loans, unless special arrangements are made at a high rate of interest.

When a customer is satisfied that the rate of interest charged him is correct—allowing a reasonable discount-risk profit for the broker—it is his duty to go over his statement carefully, figuring each item. The system of checking figures in the book-keeping department of a good brokerage firm has reduced the possibility of error to a minimum, nevertheless human minds and human hands do the work, so that there is always a possibility for error.

The recipient of a statement should confirm the prices with his original brokers' reports; subtract or add, as the case may be, the proper commission charge of the exchange or market where the security is traded, and permit proper deductions for State and Federal (War) taxes, and, when applied, bond tax. If any error is discovered, the broker will be anxious to know about it and rectify it; for it may be that his accounts are out of balance. There are a thousand and one ways of making clerical errors, no matter how many "checks" are applied and nothing suspicious should be taken for granted. If any part of the statement cannot be understood, inquiry should be made at once.

When a customer pays in full for securities which he has purchased, but does not take such securities away from his broker's office, he should, for his own protection, make certain that the broker observes the following customs, now in vogue in all first class firms:

1. If the security is stock, it should be transferred to the name of the owner or the broker (and endorsed in blank by the broker in the latter case). This protects the owner in the matter of getting the dividends regularly. The reason why customers often wish their holdings to stand in the name of the broker is to insure a good delivery, to eliminate possible extra taxes for transfer, and to place an obligation upon the broker to collect all dividends, rights or interest.

2. Such securities can not legally be used by the broker in loans for the broker's own account, nor can such securities be included in a statement of the assets or liabilities of the brokerage house.

3. The broker acts simply as trustee for the customer. The actual securities are generally placed in an individual envelope marked as belonging to the customer and are shown on the broker's books only as a memorandum and not as part of any speculative account of the customer.

4. If the securities are bonds the broker as custodian must give the number of each bond to the owner and hold these particular bonds. If the bond is of a redeemable nature such as the United States Steel Co. sinking fund 2nd 5 per cents., the drawing of a bond for such redemption gives an added value.

There are many customers who pay for their stock but do not wish to take up such stock and place it in their own safe deposit vaults. The reasons for this are that the value may take a sudden turn upward and the broker can at once take possession of the stock for purposes of sale, and, as previously stated, for convenience and certainty in collecting dividends, interest, etc.

A few years ago, when certain brokerage firms failed, it was discovered that securities, paid for by customers, had been used in loans by the insolvent firms. This method of breaking the law caused much apprehension among investors, but had the investors been careful to make certain that their brokers were observing the above rules, there would have been no loss and consequently no scandal.

The customer, however, must appreciate the fact that if he has securities paid for at his broker's in "trust-envelopes," and later contracts an obligation with the broker, the latter has then a right to take the securities from the "trust envelope" and use them in his general business, re-hypothecating them, if he so desires.

The question of State and Federal taxes is more intricate than the layman realizes. Not only are the broker, his clerks and his lawyer often befuddled by seemingly contrary rulings of State or Federal officials, but the transfer offices of the various companies are daily struggling to solve new difficulties in interpretations. However, the broker or his cashier probably knows more about the situation or recent rulings than the average lawyer and before an angry complaint is made for a supposed overcharge for transfer or sale, it is well to inquire into the particulars of the case and never act hastily.

In addition to the interest differences, tax differences and purchase or sale differences, there are many, many other possibilities for serious misunderstandings. A good, reputable brokerage firm always safeguards the customers' interests—it is to the broker's advantage if one desires to look at the selfish viewpoint—and it is always well to calmly find out "why" before exploding with wrath.

Why He Is Bearish

One of the reasons I cannot persuade myself to get bullish on the market since the reopening is on account of the ever present uncertainties of war developments. We are so far removed from the actual field of these horrible operations, and so completely engrossed in our own paltry affairs, that we are unable to properly sense the immensity of the history-making conflict raging abroad.

Market action certainly has shown that public speculative holdings have been pretty well cleaned out, and weak investors have been forced to sell within the past two years. No new interests have been built up in that time, so there remain in the market only the holdings of, for the most part, solid people. It would take something radical now to force this class to give up their stocks, but they have been forced or rather scared into doing so before, and there is

always the possibility that they may sell again.

War, or serious threat of war, with any foreign power would induce these people to sell, and their selling, even at present comparatively low levels, would cause a serious decline. Many stocks are, at present prices, higher than they would sell at if they had not been arbitrarily "pegged" by minimum prices.

The fact that these stocks have been artificially held up also furnishes one of my reasons for reluctance in joining the big army of people who want to be bulls on the market. One of the fundamental principles of business, and particularly merchandising, is to buy cheaply and sell dearly. Bull markets are manufactured to sell stocks. A big merchant plans a well advertised sale, and in that way works up buying enthusiasm. A bull market is nothing more than a grand "Stock Sale." Of course, bonds, being select merchandise, are also for sale, but you will not find them offered "in the aisle" beside a table full of gaudy "cats and dogs," but by themselves in a quiet and highly respectable looking department.

By failure to remove minimum figures the large interests plainly betrayed reluctance to take on any more lines of long stocks than they already had. If they could see their way clearly far enough along into the future to plan and execute a bull market, minimum prices would have been removed, and large public selling encouraged. The large interests would take every share offered, because they could obtain all the money needed at low interest rates, and when the time was ripe the bull market necessary to sell out these stocks at a profit would be begun. That this was not done makes me skeptical as to bull moves.—T. L. S.

Technical and Miscellaneous Inquiries

Failure to Deliver Stock Bought.

A customer is carrying a margin account with a New York firm of brokers. He pays the balance and demands delivery of the stock. The firm accepts his money but fails to deliver the stock. Upon investigation it develops that the stock in question is tied up in a loan and the firm being in a bankrupt condition is unable to get the stock for delivery. Are the individual members of the firm open to criminal charges? How about the recent New York State law forbidding a broker to hypothecate a customer's stock without his consent and making the maximum loan not to exceed balance due from the customer?—L. B.

Your broker had the right to use your securities in his loans so long as they were carried on margin. When you paid for the securities in full and requested delivery he no longer had the right to use them in loans. It was his duty then to pay off the loans and get the securities for you. The first time he did anything contrary to law was when he failed to pay off these loans and get the securities for delivery to you. If before he could pay these loans he went into bankruptcy, he was still doing nothing criminal, for it is not a crime to become bankrupt. But if he knew that his house was bankrupt at the time when he accepted the money from you in payment for your securities, then he was transgressing the law, because when a man knows that he is bankrupt he has not the right to accept deposits in cash.

The above is our understanding of the matter, and we do not see that the law forbidding a broker to hypothecate a customer's stock paid for in full, has any connection with this case. At the time the broker hypothecated your stock it was not paid for in full.

Must Broker Protect Himself?

Suppose a man had an account with a broker last July on the long side and the stocks he had on margin went so low that they wiped out all the deposit he had up with his broker. The broker did not close him out but has been selling the stocks that he had bought on margin until they are nearly all sold and as the account stands now, he owes his broker money. Would the man be obliged to pay this amount to the broker? A. claims the broker could sue him for the amount he owes the broker. B. claims it is up to the broker to protect

himself always and not allow a client to owe him money, and that the broker can't collect a cent from his client. Will you please say who is right?—S. B.

If the broker has done his best for his client that is all that is required of him. If the broker called the client for additional margin and the client did not remit and the broker then closed out his client's stock in accordance with his best judgment so as to get as good a price for his client as he could, then "A" is right. "B's" idea that it is up to the broker to protect himself and not allow a client to owe him money is incorrect. Circumstances may arise when the broker cannot possibly do this. If the client is long of stock on what seems to be an adequate margin, the market may decline so sharply owing to unexpected news that the broker cannot sell the stocks in time to protect himself.

The broker acts as the client's representative in buying and selling stocks. If he does this honestly and to the best of his ability that is all that he is under obligation to do, and if this results in loss to the client in spite of the broker's best efforts, then the client is under obligation to square his account with the broker if it shows a deficit.

Index Numbers.

(1) On page 221 of the January 23, 1915, issue of the magazine is shown "Bradstreet's Index of Commodity Prices," the figures ranging around 9.0. The *Annalist* gives index numbers ranging around 150. Would you kindly explain the difference in the computation of these items and the basis of each? How is the item "English Index of Commodity Prices" computed?—A. W.

Index numbers representing the general level of commodity prices are made up in various ways by different statisticians and include different lists of commodities. The "Bradstreet's" index is made by simply taking the sum of the prices of about 100 different commodities. The index published in the *Annalist* is made on an entirely different basis, and is, we believe, intended to represent the cost of living. There is therefore no exact similarity between the two, although their general purpose is similar.

The English Index of Commodity Prices is that made up by the London *Economist*. It is similar to Bradstreet's except that it is based on English prices.

Wheat or Cotton?

Which would you advise for a long-pull speculative purchase, wheat or cotton? I have done well in wheat up to date. Am getting uneasy, thinking it has gone to dangerous heights, but would continue if I thought it safe.—S. S.

Wheat has already had such a big advance that we would not favor buying it now for a long-pull speculative investment. In working for the long pull it is necessary to buy low, and that you cannot now do in wheat. Cotton, however, is still selling at a low price, although it has had some advance from the bottom. We think it a safe purchase on reactions.

Puts and Calls.

M. V.—You will find information in regard to puts and calls in The Magazine of Wall Street, January, 1914, page 249, and July, 1913, page 222. The latter article in particular is a very practical one, as it not only explains what puts and calls are, but how they may be profitably used. Another article is found on page 243 of Volume 8, and the legal aspect of privileges was discussed in Volume 6, page 279, by Lindsay Russell, a well known New York lawyer. You will also find in various back numbers of the magazine answers to inquiries in regard to puts and calls, which cover practically all phases of the subject.

The "Invisible Eighth."

What is the invisible eighth?—J. W.

The market for any stock always consists of a bid price and an asked price. In the active stocks, these prices are usually 1/8 apart, and an order to buy, when it is received on the floor of the Stock Exchange, is necessarily filled at the asked price, while an order to sell will be filled at the bid price. As these prices are 1/8 apart, it is evident that there is a loss of 1/8 between the purchase and the sale. This is called the "invisible eighth."

TO OUR READERS

OUR readers are herewith invited to express their opinions on the Magazine of Wall Street as it now appears. Although issued twice as often as formerly, we have brought the publication to practically the same scope and volume which it possessed under its former monthly style.

There has been some change in the arrangement of matter and an increase in the development accorded certain classes of information.

If you find that these changes are for the better we will be glad to be told; if on the other hand you believe that our work has not improved in interest and value, or if you can think of any manner in which we could increase the benefit to be derived from reading these pages, we will be more than pleased—we will be sincerely grateful for your suggestions. Write at your earliest convenience to the editor of

The Magazine of Wall Street

COTTON

Cotton and the Blockade of Germany

BY C. T. REVERE

SPEAKING from the standpoint of demand, the most important development in the cotton situation just now is the possible effect of a complete and strangling blockade of German commerce by the Allies. How this is to be brought about is a matter of detail. The effect on importations of supplies by Germany would be practically identical. By blockade a greater risk would be run by the Allies' fleets and the stoppage of shipments would relate only to the blockaded ports. By placing foodstuffs, cotton and certain other commodities on the contraband list the warships of the Allies would exercise the right of search and inquire very closely into the destination of cargoes which ostensibly would be bound for such neutral ports as Gothenburg, Rotterdam or Genoa.

Already the cotton market has shown some disquietude on the mere fear that such a step was probable. It is a question, however, if too much stress has not been laid upon the consequence of these developments. It is pertinent, therefore, to investigate the actual effects of such measures with regard to the possible reduction in cotton consumption.

In the first place it should be borne in mind that a contraband declaration would affect only the shipments of cotton to Germany and Austria. It is to be presumed that the belligerent nations with free commerce would receive such supplies as they are able to ship and finance. Some allowance also should be made for cargoes that might be smuggled through adjacent neutral countries. It is reported on good authority that Italy has shipped enormous quantities of cotton to Germany. Italian spinners, for example, sold their own mill stocks at the high prices current in Germany some weeks ago and replenished these depleted supplies by fresh importations from America.

The total consumption of Germany amounts to approximately 2,100,000 bales, and that of Austria is about 910,000 bales. This includes cotton of all kinds. Germany's consumption of American cotton proper is about 1,600,000 bales. In 1913 the importations were 1,625,000 bales. Austria imported approximately 610,000 bales of American cotton. This makes a total of about 2,100,000 bales of American cotton. The cotton of other growths consumed by these two countries comes largely from India and Egypt.

Neither of these two countries uses more than 60 per cent. of this cotton for domestic consumption. Germany has an enormous oversea trade and Austria has shipped a vast amount of coarse yarns and a great deal of thread to other countries, notably to Lancashire. With the Germanic allies cut off from their oversea trade, their domestic consumption of cotton for cloth, yarns and ammunition is all that need be considered. Their foreign commerce will be taken largely by the Allies and neutral nations.

In 1913, which was an average year, the exports of cotton goods from Germany amounted to $106,300,000. The exports of yarns amounted to $14,500,000. Austria's exportation of goods amounted to $17,773,000 and the exports of yarn and thread reached $10,060,000. These exportations call for approximately the equivalent of 1,200,000 bales of cotton. The annihilation of this foreign commerce by no means indicates a total loss so far as raw material requirements are concerned.

Figuring on the basis of 3,000,000 bales of all kinds of cotton, which would be a full consumption for Germany and Austria, the subtraction of 1,200,000 bales leaves their domestic requirements at 1,800,000. Up to February 1 Germany had received 118,000 bales by direct shipment. Approximately 375,000 bales have been imported by Gothenburg, Sweden, whereas the annual requirements of Sweden are only 115,000 bales. It seems reasonable to assume that 250,000 bales have reached Germany via Gothenburg. By February 1 approximately 200,000 bales had reached Rotterdam for transshipment to Bremen. More than 300,000 bales in excess of normal Italian requirements to that date had reached Genoa. This makes a total of 868,000 bales already received by or accessible to Germany. The total herewith given does not include the enormous sales reported to have been made by Italian spinners to German buyers. A reasonable calculation, however, indicates that Germany has received approximately 950,000 bales.

A declaration of absolute contraband or an effective blockade, therefore, probably would not cut down German-Austrian importations more than 850,000 bales or 900,000 bales below normal. In making this statement the assumption is made that the oversea trade of these two nations will go to other countries.

At the beginning of the season there were very few calculations that credited Germany and Austria with receiving as much as 500,000 bales. It was assumed that the remainder of the consumption of 3,000,000 bales would be practically a total loss. In-

asmuch as it has been discovered that other countries are now supplying this trade and that the German nations have received much more cotton than was believed possible, the likelihood that the market will once more discount, in the form of lower prices, the same feature which it discounted earlier in the season seems improbable.

Market Statistics

	Dow Jones Averages		50 Stocks			
	12 Industrials	20 Railroads	High	Low	Total Sales	Breadth (No. issues)
Monday, Feb. 15...........	76.56	89.91	62.14	61.50	225,400	119
Tuesday, " 16...........	76.09	89.65	61.70	61.24	160,100	111
Wednesday, " 17...........	75.32	89.14	61.22	60.71	190,200	142
Thursday, " 18...........	75.04	89.26	60.81	60.45	185,700	103
Friday, " 19...........	74.85	88.96	60.92	60.40	147,400	117
Saturday, " 20...........	74.73	88.88	60.41	60.01	127,400	110
Tuesday, " 23...........	74.19	87.90	60.01	59.44	221,800	127
Wednesday, " 24...........	73.81	87.85	59.62	58.99	239,300	131
Thursday, " 25...........	74.31	87.91	59.96	59.54	145,300	116
Friday, " 26...........	74.62	88.08	60.15	59.67	168,900	109
Saturday, " 27...........	74.86	88.21	60.15	59.84	90,300	93